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IN THE UNITED STATES DISTRICT COURT

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IN AND FOR THE DISTRICT OF DELAWARE

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INTERNATIONAL BUSINESS MACHINES  
CORPORATION,

: CIVIL ACTION

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Plaintiff,

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:

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v

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Groupon, Inc.,

:

: NO. 16-122-LPS

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Defendant.

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Wilmington, Delaware

Monday, June 5, 2017

10

*Claim Construction and Motion Hearing*

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BEFORE: HONORABLE LEONARD P. STARK, Chief Judge

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APPEARANCES:

- - -

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POTTER ANDERSON & CORROON, LLP  
BY: BINDU A. PALAPURA, ESQ.

16

and

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DESMARAIS, LLP

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BY: JOHN DESMARAIS, ESQ.,

KARIM OUSSAYEF, ESQ.,

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LAURIE STEPLER, ESQ.,

ROBERT C. HARRITS, ESQ., and

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9 P R O C E E D I N G S

10 (REPORTER'S NOTE: The following claim  
11 construction and motion hearing was held in open court,  
08:58:09 12 beginning at 9:00 a.m.)

08:58:09 13 THE COURT: Good morning.

08:58:10 14 (The attorneys respond, "Good Morning, Your  
08:58:12 15 Honor.)

08:58:12 16 THE COURT: I'll have you put your appearances  
08:58:15 17 on the record for me, please. Good morning.

09:03:27 18 MS. PALAPURA: Good morning, Your Honor. Bindu  
09:03:29 19 Palapura from Potter Anderson & Corroon on behalf of IBM.  
09:03:30 20 With me today from Desmarais, LLP is John Desmarais.

09:03:34 21 MR. DESMARAIS: Good morning.

09:03:35 22 MS. PALAPURA: Karim Oussayef.

09:03:36 23 MR. OUSSAYEF: Good morning, Your Honor.

09:03:37 24 MS. PALAPURA: Laurie Stempler.

09:03:38 25 MS. STEMLER: Good morning.

09:03:39 1 MS. PALAPURA: Michael Matulewicz-Crowley.

09:03:43 2 MR. MATULEWICZ-CROWLEY: Good morning.

09:03:44 3 MS. PALAPURA: And Roberts Harrits.

09:03:46 4 MR. HARRITS: Good morning, Your Honor.

09:03:47 5 MR. DAY: Good morning, Your Honor.

09:03:49 6 THE COURT: Good morning.

09:03:50 7 MR. DAY: John Day from Ashby & Geddes, Delaware

09:03:54 8 counsel for Groupon. With me from Fenwick & West, David

09:03:56 9 Hadden.

09:03:57 10 MR. HADDEN: Good morning, Your Honor.

09:03:57 11 MR. DAY: And Phil Haack.

09:03:59 12 MR. HAACK: Good morning, Your Honor.

09:03:59 13 MR. DAY: And from Groupon, Lauren Schwartz.

09:04:02 14 MS. SCHWARTZ: Good morning.

09:04:03 15 THE COURT: Good morning. Welcome. So we're

09:04:05 16 here for argument on a motion as well as the *Markman*

09:04:11 17 hearing. Have you all conferred on how you would like to

09:04:13 18 use your time this morning?

09:04:15 19 MR. OUSSAYEF: Yes, Your Honor. We conferred

09:04:19 20 with the other side. We decided that we know the order of

09:04:23 21 the terms that we would like to argue for the *Markman*

09:04:25 22 hearing, but we would like to hear whether Your Honor first

09:04:29 23 would hear either the motion for judgment of pleadings or

09:04:31 24 the claim construction issues first.

09:04:32 25 THE COURT: So you have no view on that.

09:04:34 1 MR. OUSSAYEF: If we were to proceed, I think  
09:04:37 2 it makes sense to start with the motion for judgment on the  
09:04:40 3 pleadings.

09:04:40 4 THE COURT: And what is your view?

09:04:41 5 MR. HADDEN: That's fine with me, Your Honor.

09:04:43 6 THE COURT: Okay. So let's do the 101 first and  
09:04:45 7 then we'll do the claim construction.

09:04:47 8 MR. OUSSAYEF: Yes, Your Honor. It is  
09:04:49 9 defendant's motion. We'll have them go first.

09:04:51 10 THE COURT: Right. We'll hear from defendants  
09:04:53 11 first. Thank you.

09:04:59 12 MR. HADDEN: Thank you, Your Honor.

09:05:02 13 (Elmo settings adjusted.)

09:05:17 14 MR. HADDEN: Good morning, Your Honor.

09:05:17 15 THE COURT: Good morning.

09:05:17 16 MR. HADDEN: So as you know, this motion relates  
09:05:22 17 to the two Prodigy patents which share, largely share the  
09:05:26 18 same specification.

09:05:27 19 And as the Court found in the prior ruling in  
09:05:33 20 the *Priceline* motion, these claims fail under Step One of  
09:05:39 21 the *Alice* steps as the Court found the concepts, the patents  
09:05:43 22 relate to the general idea of locally storing information  
09:05:48 23 in using that to create a partition display. And,

09:05:52 24 As Judge Burke found in the prior motion, those  
09:05:56 25 concepts are abstract and devoid of concrete and tangent

09:06:02 1 application. And that people have been storing information  
09:06:05 2 locally and using it even before computers, and that this is  
09:06:10 3 really not distinguishable from cases like *Content Extraction*  
09:06:17 4 or similar concepts have been found to be abstract.

09:06:20 5 Now, in response, in opposition to the current  
09:06:24 6 motion, IBM has argued that the Federal Circuit decision in  
09:06:29 7 *Enfish* changed the law. And they've argued that after  
09:06:33 8 *Enfish*, any claim that aspires and supports to improve  
09:06:39 9 computers or computer networking is somehow immune under  
09:06:43 10 101 or immune to 101 scrutiny. And,

09:06:47 11 That argument has been rejected repeatedly by  
09:06:49 12 courts both in this District and by the Federal Circuit,  
09:06:53 13 probably most clearly in Judge Andrews decision in *Visual*  
09:06:58 14 *Memory v Nvidia*. In that case, the plaintiff made exactly  
09:07:02 15 the same argument. It said that after *Enfish*, because the  
09:07:07 16 claims in the digital memory patent related to a storage  
09:07:10 17 system, multi-tier cache, they were aimed at an improvement  
09:07:15 18 to computer technology and therefore were immune from 101  
09:07:19 19 scrutiny. And,

09:07:21 20 Judge Andrews correctly rejected that argument  
09:07:25 21 and, as he explained, the real issue in *Enfish* is whether  
09:07:29 22 the District Court had been too general and oversimplified  
09:07:34 23 in the Step One analysis but not that somehow that case  
09:07:38 24 immunizes from 101 scrutiny patents that aspire related to  
09:07:43 25 the use. And, again, Judge Andrews reemphasized the real

test, which is not whether it somehow touches on computers but whether the claims provide a specific concrete solution.

And in Your Honor's opinion in *IV v Symantec*, there is a similar argument made. And, again, Your Honor reached the same result. In that case, the claims were to this purportedly improved method for mirroring data to a remote location, and when it was stable against power outages, et cetera, but there was no concrete solution. The claims did not include the required details for the specific solution to avoid 101.

There has to be a concrete specific solution. That is the test. And,

Again, as in this case, IBM is sort of pointing to the specification and arguing that somehow these Prodigy patents overcame problems with dumb terminals or prior networking systems, but that is not in the claims.

The focus on this case has to be the issue, Your Honor noted in *IV v Symantec*, on the claims as written and whether they actually specified a specific solution. And here they don't. And,

Again, just to make clear, there has been a slew of Federal Circuit cases following *Enfish* finding patents that relate somehow or aspire to improve computers invalid under 101 including the *Tranxition* case, *Appistry v Amazon* which are related to distributed computing. *Tranxition* was

09:09:26 1 about migrating computer settings and the *IV I v Symantec*  
09:09:31 2 case of a virus scanning in a computer network. All of  
09:09:34 3 those purported to improve computer technology or computer  
09:09:38 4 networks. All were found invalid.

09:09:40 5 IBM's next argument under Step One is that the  
09:09:45 6 claims are not invalid under Step One because the PTAB  
09:09:50 7 denied a CBM review of one of the patents.

09:09:54 8 I mean, the first point is the PTAB didn't  
09:09:57 9 even look at the '967 patent because IBM disclaimed the  
09:10:02 10 advertising claims in that patent to take it out of CBM  
09:10:05 11 purview.

09:10:07 12 But then if we look at the PTAB's analysis on  
09:10:12 13 the '849 patent, it is directly contrary to what this Court  
09:10:15 14 previously found. So the PTAB agreed that the claims were  
09:10:21 15 directed at the abstract idea of generating a partition  
09:10:25 16 screen display from information stored at the user's  
09:10:29 17 computer. The same idea that Judge Burke and Your Honor  
09:10:33 18 found was abstract in the prior *Priceline* decision. And,

09:10:39 19 Beyond that, the PTAB went on in their decision  
09:10:42 20 and agreed with the petitioner that the claims themselves  
09:10:47 21 recite only generalized steps. He did not go into further  
09:10:51 22 detail as to how those steps were accomplished.

09:10:54 23 Now, it seems like it should be game over at that  
09:10:58 24 point; right? I mean if the claim does not have details  
09:11:02 25 about how the ideas are to be accomplished and just describes

09:11:08 1 generalized steps, under *Affinity Labs v Amazon*, that is kind  
09:11:14 2 of the hallmark of the claim that is invalid under 101.

09:11:17 3 But, instead, the PTAB applied this test and I  
09:11:22 4 frankly have never seen before, which is they said if we  
09:11:25 5 take out the words and references to computers in the claim,  
09:11:29 6 would that change the meaning to someone in 1989? And, if  
09:11:35 7 so, then somehow the claim is not directed to an abstract idea.

09:11:38 8 That is not a test I have ever seen in a Federal  
09:11:42 9 Circuit case or in any District Court case. And with all  
09:11:44 10 due respect to the PTAB, it strikes me as kind of wacky.

09:11:50 11 So I don't think there is any dispute at this  
09:11:53 12 point that these claims fail under Step One.

09:11:56 13 Now, if we go to Step Two, what is the inventive  
09:12:00 14 concept that provides the specific novel solution?

09:12:05 15 Well, there is none. IBM hung its hat on "data  
09:12:10 16 object" in the *Priceline* motion, but the Court has now  
09:12:13 17 construed that "object" as "a data structure." And the  
09:12:17 18 cases are clear that a data structure is a generic concept.  
09:12:22 19 There is nothing inventive about using data structures. In  
09:12:25 20 fact, every computer program uses data structures. Right?  
09:12:29 21 Computers understand structured data. They're data structures.

09:12:36 22 And it is important -- right? -- to distinguish  
09:12:39 23 *Enfish*. *Enfish* survived because it didn't just claim using  
09:12:43 24 a data structure, it claimed a very specific type of data  
09:12:46 25 structure: this self-referential cable, and there was a



four step algorithm for how to use it in the claim. So that claim had a specific solution that saved it that was inventive. And,

It's clear that is not the case here. Right? Because IBM is applying the Court's construction of "data object" as "a data structure" to include anything, right?

So this is from their infringement contentions.

And they say data includes "HTML files, JavaScript, JSON files, images and other data." So basically a data object is anything.

IBM next points to the Court's construction that says "objects being retrieved from the objects stored at the respective reception system, or, if the current versions of the objects are not present from the objects stored at the respective reception system, then from the network."

So all this says we use what is cached locally, and if it is not there, we go and get it from the network.

But that is the basic idea of caching. And courts have found that that idea is not inventive. Right?

So in the *Versata v NetBrain* in this District, the patent was about caching dynamic web pages. It is essentially what IBM is accusing in this case. And the Court held that the central concept is receiving information and a transmitting a response either by recycling the information you have or collecting the requested information

09:14:32 1 anew, which is no different than what these claims require.  
09:14:36 2 Right? That is what a cache does. You use what you have.  
09:14:39 3 If it is not there, you go get it from the source. That is  
09:14:43 4 now Check ID.

09:14:46 5 IBM also talks a lot in its papers about how,  
09:14:55 6 in its tutorial about how somehow this invention splits the  
09:14:59 7 functionality between the server and the local reception  
09:15:03 8 system computer.

09:15:06 9 But, again, the idea of splitting functionality  
09:15:10 10 between a client and a server is not inventive. That was  
09:15:14 11 the very issue in the *Device Enhancement* case in this  
09:15:18 12 District. Again, that is another post-*Enfish* decision.

09:15:22 13 In that case, Judge Robinson said that is not  
09:15:24 14 inventive, right? The server exchanges data with the  
09:15:28 15 terminal device -- tasks are split between the client side  
09:15:32 16 application and the remote application, albeit without  
09:15:37 17 further guidance from the patent. That was the key point.

09:15:39 18 Such a broad claim, even though it relates to  
09:15:42 19 a computer centric idea, is just the idea of using a  
09:15:45 20 distributive architecture to increase the capability.  
09:15:49 21 Right? And that is exactly the kind of pitch that IBM is  
09:15:52 22 making here.

09:15:53 23 But that is, as Judge Robinson found, abstract.  
09:15:59 24 Right? There is no, there is nothing in these claims that  
09:16:01 25 would tell you how actually build a specific solution to

09:16:06 1 that. Right? IBM's patent doesn't tell you how to split an  
09:16:08 2 application into pieces, what those pieces should look like,  
09:16:12 3 it doesn't tell you how we can find those at the reception  
09:16:16 4 system in a way it provides any new functionality. It is  
09:16:21 5 just claiming the idea of using some stuff at a server,  
09:16:26 6 using some other stuff that is stored locally. And that is  
09:16:30 7 exactly the idea that Judge Robinson held was abstract and  
09:16:33 8 unpatentable. And,

09:16:34 9 A similar idea was in the *CyberFone* case. In  
09:16:38 10 *CyberFone*, it was about whether you take some data, you  
09:16:41 11 split it up, you send it to different places. Is that an  
09:16:44 12 inventive concept?

09:16:47 13 Of course, Judge Robinson and the Federal Circuit  
09:16:49 14 said no, right? With taking, obtaining data separating it,  
09:16:54 15 sending it to different places, that is not inventive concept.

09:16:58 16 Nor, of course, is combining data from different  
09:17:01 17 sources. That was the issue in *Electric Power*.

09:17:04 18 So if IBM's pitch is that the ability to combine  
09:17:07 19 data from a local machine with data from the remote server  
09:17:12 20 is the invention, that can't be it; right? The Federal  
09:17:17 21 Circuit said that combining information even specific  
09:17:20 22 information and displaying it is not inventive.

09:17:24 23 Finally, IBM on the '849 patent, points to the  
09:17:29 24 selective storing. The prefetching at ad. And though IBM  
09:17:36 25 is going to contest I think later that that is the correct

09:17:38 1 construction, even though that construction, which I think  
09:17:40 2 is right, just prefetching information to store is not  
09:17:44 3 inventive; right? That is inherent in the idea of a local  
09:17:48 4 store. You have to stock the local store. I recited  
09:17:51 5 something going back to Roman legions; right? You have to  
09:17:55 6 stock the local store for the soldiers.

09:17:58 7 And even in the context of advertising, right?  
09:18:01 8 The *Ultramercial* case kind of rejecting that as one of the  
09:18:05 9 steps in those claims. In those claims, one of the steps  
09:18:08 10 was selecting an ad. And then you would offer the media in  
09:18:12 11 exchange for watching the ad. But there was a preselected  
09:18:16 12 ad as part of the step, and the claim was nonetheless abstract.

09:18:20 13 Of course, there is a slew of cases that confirm  
09:18:24 14 that just fetching and storing information, whether it is a  
09:18:29 15 particular content, like an advertisement or not, is not  
09:18:32 16 inventive. Going from *Content Extraction* to *CyberFone* to  
09:18:37 17 *Electric Power*. So that can't be the inventive concept that  
09:18:43 18 saves these claims.

09:18:44 19 Finally, on the dependent claim, IBM points to  
09:18:47 20 the storage control parameters being the magic inventive  
09:18:51 21 concept, and they say that it is one of the mechanisms  
09:18:54 22 underlying the as-needed retrieval elements of the patented  
09:18:58 23 inventions.

09:18:59 24 But, of course, it is not a mechanism at all.  
09:19:02 25 It is just a generic parameter that relates to what

information is cached. And, again, in the *Visual Memory* case, this same issue came up. And if we look at the claim that was at issue in that case, which is this one, it is far more detailed, far more specific, far more concrete and far more technical than any of the claims at issue in these Prodigy patents. Judge Andrews nonetheless found it was abstract.

But one of the components of that claim was these first programmable characteristics which, like the storage control parameter, determined what information was stored in which of the three layers of cache in that system, and whether it was code or data and whether it came from the bus or somewhere else. And,

Judge Andrews, basically the same argument, said that those programmable operational characteristics is simply a generic concept. It determines a type of data stored by the cache. And without an explanation the mechanism for how this result is accomplished, it cannot supply an inventive concept. And,

The same is true here. Just saying there is a parameter that relates to what is stored is not a specific solution or inventive concept. And,

Again we have to focus on the claims, right? IBM, in their tutorial and otherwise, talks a lot about Prodigy and how great it was. Now, IBM could have claimed

09:20:35 1 or drafted claims that covered the specific implementation  
09:20:39 2 of Prodigy and those claims may well survive 101 but those  
09:20:44 3 are not the claims they have. Right?

09:20:47 4 They tried instead to claim this very basic  
09:20:50 5 concept using some information that is stored at the local  
09:20:53 6 computer and combining it with some remote information. And  
09:20:57 7 that is just too broad. It is just too abstract and covers  
09:21:02 8 too much. And it's clear that it covers too much and IBM  
09:21:08 9 essentially admits in its opposition brief that it is not  
09:21:12 10 only trying to preempt the Web of these patents -- I mean  
09:21:17 11 let's be clear. Everybody who has been sued on these  
09:21:20 12 patents has been sued just because they use the World Wide  
09:21:23 13 Web. There has not been anything common that relates  
09:21:27 14 Groupon to *Priceline* to Amazon to Living Social except the  
09:21:32 15 use of the Web.

09:21:33 16 But they want to go beyond that. If you look at  
09:21:35 17 their opposition, they say, fine, here are some things we  
09:21:39 18 don't preempt. One alternative is to transfer the entire  
09:21:42 19 interactive application, the user reception system, at once  
09:21:47 20 instead of breaking it up into data objects. So they say  
09:21:51 21 you can avoid our patents by not breaking things up. Other  
09:21:54 22 than that, we own it. We don't break things up.

09:21:57 23 The next thing they say is: Another alternative  
09:21:59 24 is to required users to retrieve content from the server  
09:22:03 25 each time the user interacts with the application, instead

of storing data objects at the user reception system.

So they say, fine, the other way you can avoid our patent, don't store anything locally. But if you break things up or you store them locally, we own it. And these patents preempt it. And that is just, that is too broad. There is nothing in these claims, there is no contribution to the general knowledge in these claims that justify that ridiculous scope of preemption.

Thank you, Your Honor.

THE COURT: Thank you. We'll hear from plaintiff.

MR. OUSSAYEF: Good morning, Your Honor. Karim Oussayef for IBM. May it please the Court.

I won't belabor the law behind *Alice*, Steps One and Two since Your Honor is familiar, but I think there is a couple of points that are important to look at. And,

On slide 5, what we see here are some of the abstract ideas that are not -- some of the abstract ideas that have been found under *Alice* and those type of cases which are really ideas that are found outside of the computer system and brought within the computer realm like mathematical algorithms, fundamental economic and business practices, and claims about an idea itself without anything connected to technology.

What is not an abstract idea, however, is more elucidated in the case of *Enfish* and *McRO* which help specify

that *Alice* Step One inquiry with a little bit more rigor. And what it says is that the "directed to" inquiry isn't just whether there is something involved that is a patent ineligible concept but whether the claims are really directed to solving something that exists in the computer realm.

And what it found is that when the focus of the claims is on a specific asserted improvement in computer capabilities, that is when it is not an abstract idea under *Alice* Step One.

Similarly, *McRO* found that claims directed to a patentable, technological improvement over the existing computer techniques, that also passes Step One. And,

The recent case of *PalTalk Holdings*, which was just in May of this year, that was a Delaware case where "claims addressing a technical challenge ... unique to the world of interactive software applications shared over a computer network," that is something that is not an abstract idea under *Alice* Step One.

So the question here we should be asking ourselves is, are we focused on solving a problem in the computer realm or are we trying to solve a problem outside the computer realm and just trying to capture it by putting it on generic computer software?

So let's look at the answer to that question.



09:25:26 1 First, let's look at the complaint. The  
09:25:29 2 complaint which at this stage of the case must be assumed  
09:25:33 3 to be true, and which is backed up with by the evidence as  
09:25:38 4 well, indicates that the Filepp patents were conceived in  
09:25:41 5 the 1980s, when IBM was developing the Prodigy online  
09:25:45 6 system. And,

09:25:46 7 In that time frame, on slide 7, we see the  
09:25:50 8 second bullet point talks about how in the prior art, you  
09:25:54 9 had applications but they used a "dumb terminal" approach.  
09:25:58 10 And what that means is that all the data was transferred  
09:26:02 11 together to the user's computer at once instead of it being  
09:26:05 12 broken up into pieces and instead of being organized into  
09:26:10 13 partitions or areas of the screen where the user could  
09:26:13 14 interact with it.

09:26:14 15 So what the inventors developed in bullet point  
09:26:17 16 three is they developed an innovative method for presenting  
09:26:21 17 applications and advertising in a way that would take  
09:26:25 18 advantage of the user's computer because at the time, people  
09:26:29 19 were starting to buy computers that could use floppy disks  
09:26:33 20 that could compute at a local area where the user was. So  
09:26:37 21 to take advantage of that, if you break up content, you  
09:26:40 22 could have the user's computer put it back together because  
09:26:43 23 it's smart enough to do so. And,

09:26:45 24 Then by doing that, you can reduce the load  
09:26:47 25 on the whole system so that the host doesn't have to be

bothered with the request for everything every time. It can just be asked for individual pieces of that or objects. And then you can organize those to display it to the user.

So don't just take the complaint's word for it. Also, if we look specification, that is exactly what is said in the specification. So it is saying interactive computer networks are not new. They're something that existed but we want to improve it.

They involved in the past hierarchical architecture of the central host computer. And in the bottom highlighted part, in such networks, the host has to do all the work. And that is the problem that causes network slowdown.

Similarly, in the *PalTalk* case, the technical challenge that was addressed was unique to the world of interactive software application shared over a computer network. So it fits "hand in glove" with the idea of addressing something specific to interactive computers networks and interactive applications.

The specification of the '967, the specification of the '967 leaves no doubt that it is directed to improving computer performance. It says that objects are structured in an architecture that allows display data to be relocated and reused on the screen to make up other screens, and they can be dynamically created in response to the user's

request. And,

Then at the bottom quote on slide 9: Because the processing formally done by the host is done by the reception system, that is what allows the performance of the system to be improved.

The '849 patent on slide 10 is specific to advertising. And it talks about how you can use it for advertising and you can see whether advertising is likely to be used again and, based on whether it is likely to be used again, store it at the user's computer so you can selectively store advertising at the user's computer and therefore response time is reduced.

So what we see here on slide 11 is a demonstration of this. This is, on the left-hand side, a representation of sending down the entire application, the entire command menu, the entire advertising down to the user in a sequential manner. So that is the problem that existed in the prior art. And,

The solution was to break it up into pieces, as we'll see on the next slide. But the *MAZ Encryption* case explains that when you disparage the prior art and you explain why it was wrong and what the technical problem was, that helps determine something is patent eligible.

On the next slide here, 12, we see how the Filepp patents solve the "dumb terminal" approach. This is

an adaptation from Figure 3a and it shows how in application it can be broken up into different segments. The blue here is representing what can be stored at the user's computer. The green, what is stored at the host computer. And then it can be combined on the fly when the user wants to do something.

So here on the left-hand side is a little bit busy, but what you see is the next path jump in the window portion up in blue are what are being retrieved from the user's hard drive and the user's system, which is on the bottom, and the other components are being retrieved from the file server or the host system to combine to create the presentation that the user sees. And that is supported by the quotes from the specification on the right-hand side.

A common refrain during opposing counsel's oral argument, that is just what the specification says. That is not in the claims.

If we look at the claims here on the next slide, we see that it is in the claims. In fact, it talks about on the left-hand side from the '967 patent, claim 1, generating a screen display. And,

That is at a reception system. You create it out of portions. The portions are being constructed of objects. Those objects can be dynamically combined from objects stored at the reception system or unavailable from

the network. Those objects can be used in more than one application so they can be reused to reduce demand on the host.

You can have two different partitions: one for presenting applications and one for presenting command functions. The command functions allow you to switch between applications which is the entire idea of having reuse of objects across applications to decrease demands on the host.

This is in stark contrast to the prior art which did not have the idea of modular applications or of partitions that could be used for specific content. And,

Then "selectable to permit movement between applications" is how you are able to harness the ability of reuse of objects.

On the right-hand side, you see something similar. The '849 patent is directed specifically to advertising. And we talk about how you structure advertising so that it can be used in a combination of applications. And then you selectively store it to the user's reception systems so that you can use the objects that are most likely to be demanded by the user in the future.

All of this is in the claims.

If we look at -- so we looked at the claims, the specification, the complaint. How else do you know that

09:32:44 1 this is really directed to a specific technological problem?  
09:32:47 2 The prosecution history tells the same story. It talks  
09:32:50 3 about how the patents were developed as part of the Prodigy  
09:32:53 4 service, and how that called for a new approach.

09:32:57 5 In the middle highlighted part on slide 15, it  
09:32:59 6 talks about how you need to reduce response time because you  
09:33:04 7 needed it to supply things to so many users, and you had to  
09:33:08 8 break away from the dumb terminal approach that is in the  
09:33:10 9 bottom of slide 15.

09:33:11 10 On slide 16, it explains how this is  
09:33:14 11 accomplished: by breaking data and program code into  
09:33:19 12 objects and then harnessing the power of the subscriber's  
09:33:24 13 PCs so you can compose things on the fly.

09:33:26 14 So I think one important thing to look at, too,  
09:33:37 15 is the Court's prior Report and Recommendation. In there,  
09:33:41 16 the Court already found, on the way to finding that the  
09:33:45 17 patent was patent eligible under *Alice* Step Two, found  
09:33:50 18 that the claims can be seen as an attempt to improve the  
09:33:53 19 functionality of computer networks.

09:33:56 20 I think that is inevitable from all the evidence  
09:33:59 21 of the complaint, the specification, the claims, and the  
09:34:03 22 prosecution history. And *Enfish* tells you straight up that  
09:34:07 23 claims whose claim focus is on an improvement to computer  
09:34:11 24 functionality is patent eligible.

09:34:13 25 *McRO* tells you that claims directed to a

patentable, technological improvement are patent eligible.

So the finding that the Court has already made supports patent eligibility under *Alice* Step One and that is why under *Enfish* and *McRO*, the claims are patent eligible.

The PTAB decision reached a similar result. And I think what they really focused on, the PTAB decision, was not the meat of what the PTAB really found. What the Patent -- what the PTAB rested its argument on or its decision on was that the '849 patent was almost exclusively dedicated to solving a problem arising in computer technology bandwidth with a computerized solution, local storage, and thus found the claims to be patent eligible. And the PTAB didn't rely on a particular construction of the claims. It found that relying on a broadest reasonable interpretation.

So let's look at Groupon's characterization of the claims as "local storage."

If you look at the arguments that opposing counsel made in their oral argument, they said *Enfish* stands for the principle that you should not oversimplify Step One. But in their briefs, they oversimplify the claims as directed just to local storage.

If you look at their *Markman* brief, though, you see the truth of the claims come out where they admit that the claims are directed to something far more specific. They say specifically the sole independent claim of the '967

patent is directed to concurrently presenting applications and commands on a single screen display. And the five independent claims of the '849 patent are directed to concurrently presenting applications and advertisements on a single screen display. The displays are constructed by a reception system. Software running on the users' computer. The display layout includes separate partitions which applications, commands, and advertisements are selected separately but concurrently displayed. And they go on to explain how the claims are directed to something far more specific.

Under their own interpretation of *Enfish*, that should be the inquiry of how to determine what the claims are directed to. What are they really doing here?

I think that their analogy which they made in the oral argument as well, that local storage was known by the Romans, is really inapt for several reasons.

If you think about it, it just doesn't make sense because local storage in the local world has nothing to do with local storage here. Even if you were just to look at the idea of local storage, the constraints are completely different. Unlike physical objects, the same data objects can be stored in different locations. And multiple objects can be combined on the fly because you can send things immediately from two locations when you need it



unlike, for example, buildings or patibles or whatever else in the supply chain for the Romans. The solutions are completely different. The Filepp patents say store things at different locations and break them up. The Roman solution is let's get everything to the village and we want it back.

The technological challenges are completely different. It's not where objects are located, which is the problem with the Filepp patents, it is how do you make sure that processing power is used most efficiently which doesn't even make sense to ask in their example.

They don't try to address anything dealing with displays, applications, partitions, objects, selectively storing, command functions, and advertising because all of that doesn't make sense in the real world.

Finally, if we look at their cases that they rely on most heavily, you see a common theme here. You have *Electric Power Grid*. That dealt with taking an off-line idea of using electrical grids and how to analyze them, and just said let's do it on a computer.

If you look at *Content Extraction*, that took the idea of how do we process information from hard copy documents, something that had been done by humans, let's do it on a computer.

If you look at *Ultramercial*, it talked about using advertisements as exchange of currency, something that

had been used, for example, on newspapers or TV in the past.  
Let's just do it on a computer.

In contrast, if you look at *McRO*, *Enfish* and the  
Filepp patents, it talks about something that is already on  
a computer. How do we make that better? How do we improve  
it?

So the idea here is are we targeting a problem  
that is on a computer? And the evidence here is uniform  
that that is exactly what the Filepp patents are doing.

Groupon relies heavily on the *Visual Memory*  
case. They say, well, this proves that *Enfish* and *McRO*  
didn't change the law and we can distinguish using the same  
analysis of visual memory.

But *Visual Memory* simply recognized something  
that had already existed in the past, which was using  
physical devices or computer devices generically, does not  
confer patent eligibility. We knew that before.

Really what it is saying is you can't just say,  
hey, I'm going to do something that existed in the human  
realm and put a computer there. But that is not what the  
patents are doing. The patents are improving a system that  
is already on the computer.

And the *Visual Memory* case also recognizes  
that the levels of abstraction at *Alice* Step One must be  
consistent with the claims themselves. If you look at the

claims on slide 22 of the *Visual Memory* case, I put example there of claim 1. It is really just saying a main memory, a cache, and programmable, operational characteristics.

There is no meat. There is nothing there.

This case is far more analogous to *PalTalk* which I mentioned a couple times before. *PalTalk* examined the specification and noted that there is no apt brick-and-mortar analysis or analogy that could be used and noticed how the specification was focused on how to improve computer technology. Specifically, interactive software applications.

That is exactly what we have here.

Alice Step Two --

THE COURT: Before you move on to Step Two. So is it IBM's view, after all that, that the dispositive question of Step One is are the claims directed to improving computer function and that is all I have to ask?

MR. OUSSAYEF: Yes, but I think the key question is improving computer functionality. So the cases that we see which talk about, hey, it has computer components in there, the question really has to be are you improving those computer components or not?

So, yes, Your Honor, if it really is focused on improving a computer functionality like decreasing bandwidth or increasing the number of users, then it passes Alice.

09:41:49 1 THE COURT: So that would seem to directly  
09:41:52 2 contradict Judge Andrews in *Visual Memory*. I understand  
09:41:57 3 you parsed through the holding, but that question, is it  
09:42:03 4 dispositive? He seems to say no, and you would have me say  
09:42:06 5 yes.

09:42:08 6 MR. OUSSAYEF: I think in *Visual Memory*, what  
09:42:10 7 you are seeing there is not something that is focused on  
09:42:12 8 improving the computer. I think it is using -- so if we  
09:42:16 9 look at *Visual Memory*, we have computer components, main  
09:42:20 10 memory, a cache, and programmable operational characteristics.  
09:42:27 11 But it does not say how that is improving the computer.

09:42:32 12 So those are components. They might be used  
09:42:34 13 for useful things but it is not addressing a problem that  
09:42:36 14 existed. And it's not anything that is more than just the  
09:42:41 15 components themselves. It's a structural -- it's claiming a  
09:42:47 16 structural thing without any kind of solution to a technical  
09:42:50 17 problem.

09:42:50 18 THE COURT: I'm seeing that as slightly  
09:42:52 19 different than the question I'm asking. If we look at slide  
09:42:57 20 5 that defendants showed us, I'm sure you are familiar with  
09:43:03 21 it, they quote Judge Andrews as specifically saying:  
09:43:08 22 Contrary to plaintiff's argument -- the plaintiff there, of  
09:43:12 23 course -- the question of whether a given claim improves the  
09:43:15 24 way a given computer works is not what by itself determines  
09:43:19 25 it. I understand IBM's position to be directly contrary to

that. I understand you have an argument to distinguish his holding but on that question of law, you disagree.

MR. OUSSAYEF: No, Your Honor. In fact, right after that quote by Judge Andrews, there is another quote that says, actually, the problem that, or the way you solve the problem or the way you ask the question under *Enfish* is not whether it improves a computer generally but whether there is a specific technical problem that the claims seek to improve.

So there are two quotes that come from the *Enfish* decision, and the plaintiff in the case cited the first quote where it discussed the proposition more generally. Where the *Enfish* Court said, if you look generally to whether there is an improvement, then that indicates that you might pass Step One. And there is a later quote that says the specific inquiry is whether there is a specific solution that is directed to computer problem.

So Judge Andrews was kind of comparing the more loose characterization of *Enfish* versus the more strict and rigorous characterization of *Enfish* later on. It's right after the quote that the defendants put up on their slide 5 in the Andrews's decision.

THE COURT: All right. So if I want to understand IBM's position, you do agree that I have to do

09:44:57 1 more work at Step One than simply ask are these claims  
09:45:01 2 directed to improving computer technology. Answering that  
09:45:04 3 question may get me a long way toward siding with you but  
09:45:09 4 I'm not done. Is that fair?

09:45:10 5 MR. OUSSAYEF: Yes, I think that is fair. I  
09:45:13 6 think if you add that there needs to be a specific  
09:45:16 7 improvement that you are focused on as opposed to just  
09:45:19 8 asserting that there is an improvement without having  
09:45:22 9 anything to back you up.

09:45:24 10 So if you had a patent that just said, hey,  
09:45:27 11 here are my components, I improve computers and there is  
09:45:31 12 no detail in the specification, there is nothing else that  
09:45:35 13 supports it from the state of the art. There is nothing  
09:45:39 14 that explains why that is an improvement in computer  
09:45:44 15 capabilities. I think in that case, maybe that is a gray  
09:45:47 16 area for Alice Step One. I think that is not at all what  
09:45:50 17 we have here.

09:45:51 18 THE COURT: All right. Then in terms of the  
09:45:52 19 relationship of these claims to the Prodigy embodiment, and  
09:45:57 20 this question may spill over to Step Two, and fair enough if  
09:46:02 21 you want to answer it as to Step Two, but the argument from  
09:46:06 22 defendants is part of the problem here is you didn't focus  
09:46:10 23 the claims on Prodigy and it's much, much broader than that.  
09:46:16 24 What is IBM's response to that?

09:46:19 25 MR. OUSSAYEF: I don't think it is much broader

09:46:21 1 than that. We'll go over both the specific implementation  
09:46:24 2 details that are important here, both from the claims  
09:46:27 3 themselves and also the Court's construction of those  
09:46:30 4 claims, but also we'll go over the preemption issue and  
09:46:33 5 we'll see why defendant's characterization that this covers  
09:46:37 6 any meaningful way of displaying content on the web is  
09:46:41 7 simply incorrect.

09:46:42 8 THE COURT: Okay.

09:46:47 9 MR. OUSSAYEF: So what is an inventive concept  
09:46:52 10 under *Alice* Step One?

09:46:55 11 This is what *DDR Holdings* says, is that if you  
09:47:01 12 are addressing a challenge that specifically arises in the  
09:47:05 13 realm of computer networks and where the claimed solution is  
09:47:08 14 necessarily rooted in computer technology, that is something  
09:47:11 15 that passes *Alice* Step Two.

09:47:13 16 Claims that specify how interaction between  
09:47:17 17 computers may be manipulated.

09:47:19 18 *Bascom* also cautions that we need to look at the  
09:47:25 19 combination of elements, so taking potshots at just isolated  
09:47:29 20 ideas like, hey, storage is new or organizing data is new,  
09:47:33 21 but -- sorry, is not new, et cetera, as the defendants do,  
09:47:36 22 did in their oral argument is not sufficient. You must  
09:47:39 23 address the claims as a whole and not just certain claim  
09:47:43 24 constructions or certain concepts from the patents without  
09:47:46 25 addressing it in its entirety.

09:47:49 1           So if we look at *Alice* Step Two, a theme tends  
09:47:55 2   to emerge, which is even if you are taking -- even if you do  
09:47:58 3   have an abstract idea, bringing it into the computer realm  
09:48:02 4   involves specific computer problems and computer solutions.  
09:48:05 5   It can still be ineligible under Step Two. So the question  
09:48:08 6   is, do you have to do something innovative on a computer in  
09:48:13 7   trying to adapt an abstract idea to a computer?

09:48:18 8           So the *Filepp* patents solve Internet centric  
09:48:23 9   problems. This is very similar to what we discussed  
09:48:26 10   previously. It kind of melds with some of the same evidence  
09:48:29 11   we presented for *Alice* Step One, so I won't belabor the point.  
09:48:33 12   But the idea was that the *Filepp* patents were addressing a  
09:48:37 13   problem that is specific to network programming: bottlenecks,  
09:48:42 14   slow down, limitations on a number of users, et cetera. And  
09:48:46 15   the solution was on a way to reduce host processing.

09:48:51 16           And what *DDR Holdings* says is that the claim  
09:48:56 17   solution amounts to an inventive concept for resolving this  
09:48:59 18   particular Internet centric problem, rendering the claims  
09:49:02 19   patent eligible. That is what we have here.

09:49:04 20           How does the patent do it?

09:49:08 21           Well, the patent does it by splitting up what  
09:49:10 22   used to be sent down in its entirety into objects. Those  
09:49:15 23   objects can be organized into logical partitions. The  
09:49:20 24   partitions can be retrieved and selectively stored as needed  
09:49:24 25   and that is what we went over previously. And *DDR Holdings*



says that claims that specify how interactions between computers are manipulated, that also passes *Alice* Step Two.

So let's look at the Court's previous constructions and just see how that interplays with the claim language.

The idea of formatting -- and so what we have here on this table on the left is the selected claim terms that were construed by the Court previously.

In the middle, we have the actual constructions from the *Priceline* case. And in the right, you have the idea of inventive concepts. So the idea of formatting advertising for potential use of the plurality of applications, that is important because at the time, there was no reuse in that kind of way because everything was used in its entirety as a monolithic construct that got pushed down. So formatting advertisements to make sure they could be used for multiple applications or were compatible allows you to reuse advertising and minimize network bandwidth. That is on the right.

Next to each of the inventive concepts we've supplied is an illustrative quotation from the patents.

"Selectively storing" was construed as "reception in storing, in anticipation of display."

The idea of anticipating what the user might want and storing at the users' computer meant that you could

request things at different times. So it's not you were asking for everything at once. You could ask for it once and then ask for the rest later on.

So that was also an inventive concept.

The "storage control parameter." Defendant kind of belittles this concept but the idea of a parameter that specifies initial or continued storage is an important concept, too, because if you send a parameter that says whether or not you should store it, what the patent says is that that allows you to store things that are more likely to be used by telling the reception system that it is a good thing to hold on to for later.

The "objects being retrieved" claim element, the Court construed it as a kind of "if-then" framework where you can take some of the objects from the host or from the reception system depending on whether they're located at the reception system or not. That is the idea of dynamically retrieving objects from both locations and combining it. And,

The idea of the "applications" being a sequence of pages opened at the screen, the idea of the sequence of pages is important because together with the language of "objects may be used in more than one application," it allows for the transition between those applications to reuse objects. That is another way you decrease the use of bandwidth.

09:52:21 1 If you look at Groupon's motion, opposing  
09:52:24 2 counsel said something that was a little bit off, which was  
09:52:27 3 IBM hung its entire hat on the construction of "objects."

09:52:31 4 Well, IBM actually offered many constructions  
09:52:34 5 and explained how all of them were innovative in the  
09:52:38 6 previous briefing in the *Priceline* case, and it focused on a  
09:52:43 7 number of different terms. And the reason why Groupon is  
09:52:47 8 focusing on "objects" is because that is one of the few  
09:52:50 9 terms where IBM didn't get the full construction it had  
09:52:54 10 requested.

09:52:55 11 But Groupon ignores the construction of  
09:52:57 12 "application," "permits random movement," "storage control  
09:53:02 13 parameter," et cetera, et cetera, and as shown on the  
09:53:04 14 previous slide, those all involve inventive concepts.

09:53:07 15 THE COURT: Do you think that the construction  
09:53:09 16 of objects helped your defense on 101 and Step Two at all?

09:53:14 17 MR. OUSSAYEF: I think it did. On the next  
09:53:15 18 couple of slides, we'll see how the use of the "objects" in  
09:53:18 19 the claims and the Court's construction of the terms that  
09:53:22 20 contain the term "objects" show that they're inventive even  
09:53:27 21 if "objects" is simply construed as "data structure."

09:53:33 22 *Bascom* also invites the idea of just focusing on  
09:53:40 23 one idea or one part of the claim in isolation and putting  
09:53:45 24 blinders as to the other constructions or the other terms.  
09:53:47 25 They need to be evaluated as an ordered combination.

09:53:51 1           So to your point, Your Honor, the construction  
09:53:57 2 of "objects," the basis for that construction was that there  
09:54:02 3 is other language in the claims. This is from the Court's  
09:54:06 4 claim construction opinion.

09:54:07 5           There is other language in the claims that  
09:54:11 6 dictate that objects have a predefined structure and that  
09:54:15 7 at least some of the objects may be used in more than one  
09:54:18 8 application, which implies that a uniform format for objects  
09:54:23 9 designed for use with multiple applications is already in  
09:54:27 10 the claims, so including uniform would create redundancies.  
09:54:32 11 So it is not so much that the Court rejected the idea that  
09:54:36 12 "objects" are specific in some way but rather the Court was  
09:54:40 13 worried about putting redundancies into the claims.

09:54:45 14           Furthermore, if we look at slide 31, the Court  
09:54:49 15 construed terminology that contains the word "object" in it.  
09:54:53 16 So claim 1 of the '967 patent, there is claim language about  
09:54:59 17 the objects being retrieved from objects stored at their  
09:55:03 18 respective reception system, or if the current version of  
09:55:06 19 objects are not present from the reception system, then from  
09:55:09 20 the network.

09:55:10 21           And that kind of dynamic recreation of content  
09:55:14 22 from objects from both places is something that still shows  
09:55:17 23 that the idea of breaking up content into objects and then  
09:55:21 24 dynamically putting it back together is an inventive concept.

09:55:26 25           And this is a mechanism that the patent

specifically says was invented. It's described at the '967 patent at lines, column 1, lines 46 through 55.

Likewise, the Court's construction of the '849 patent, "selectively storing" refers to selectively storing objects. And it explains that how prefetching advertising objects, how the term means prefetching advertising objects and storing at a store established at the reception system in anticipation of display concurrently with the applications.

This is also an inventive concept that the patent specifically calls out.

It says how that minimizes the potential for interference between the supply of interactive service applications and advertising. That is the '849 patent at column 2, 54 through 58.

So it is not just the term "objects" in isolation. It is the Court's reasoning in finding that the term "objects" also encompasses some of those limitations that IBM sought to explicitly incorporate. Those were already implicitly in the claims and it is the use of the word "applications" and the entire phrase involved, not just "objects" by itself.

This isn't one of those patents where it just says "objects" or "data structures." It doesn't tell you anything about how to use them.

Groupon really doesn't analyze the independent claims in any detail as well. So there was a little bit of discussion of some of the independent claims and how the storage control parameter really wasn't helpful.

That really doesn't take into account the combination of the storage control parameter with objects that are designed to be stored at the reception system, reused if needed in applications that could have objects that are used in one application and then another and then requested only if needed.

The "storage control parameter" adds the idea that you can help the reception system know what objects to hang on to by giving it information through a storage control parameter.

The '849 patent also has dependent claims that were not discussed by Groupon. This talks about storing object identifications based on establishing characteristics for the reception system users. So if you know a user is likely to request, say, a special kind of deal on Groupon's website, that characterization is useful because you can have them store that type of data at the reception system and then the next time they visit that website, they're more likely to reuse that object and not have to request it again from the host. That is an inventive concept as well. That is a specific idea that is called out by the '849 patent as

well.

So when we look at their *Alice Step Two* cases, there is really no computer centric problem or computer centric solution that is called out by their cases.

So the cases they primarily rely on is *Apple v Ameranth*, *CyberFone*, and *Affinity Labs*.

*Apple* dealt with the idea of taking a menu for ordering like at a deli and then just adding computer components to do it on the Internet. So it was not solving a computer problem, it was putting a human world problem on the Internet or arguably not even a human problem at all.

*CyberFone* was about exploding information, and the Court said what does exploding information mean? It means sending it somewhere where else. But that's the same. That is an information gathering technique.

So if you look at defendant's cases that say organizing data isn't something that passes *Alice Step One* or *Two*, they're really missing the point because the idea is not organizing data just for, you know, keeping things in the right place. The idea is let's make computers work better by splitting things into parts and dynamically recreating it. It's not the idea of just organizing things that humans had been doing forever to organize correspondence or e-mails or that kind of thing.

*Affinity Labs* talked about out of region

10:00:06 1 delivery of regional broadcasting. So something that, you  
10:00:10 2 know, existed with radio signals and did not have a further  
10:00:14 3 specification of how that was done.

10:00:16 4 If you look at the cases we cite, it's really  
10:00:20 5 about computer centric problems, solutions, that is *DDR* and  
10:00:26 6 *Bascom*, and the Filepp patents fall into this category  
10:00:30 7 because they deal with the problems of network bandwidth and  
10:00:33 8 the fact that the host had to do all the user data requests.

10:00:37 9 And the solutions are the similar type of thing  
10:00:40 10 where you are doing something that really doesn't make sense  
10:00:43 11 in the real world, splitting content up and shipping it to  
10:00:47 12 different areas of the world and then reducing processing in  
10:00:50 13 that way. That is not something that happens with Roman  
10:00:54 14 armies or with real world situations.

10:00:57 15 So really one way of thinking about *Alice Step*  
10:01:01 16 *Two* is even if you were convinced that it was the abstract  
10:01:07 17 idea of local stores that we're talking about, we don't  
10:01:10 18 think it is, but even if you were convinced of that, is  
10:01:15 19 bringing the idea of local storage on to a computer, is that  
10:01:17 20 something that involves computer specific challenges?

10:01:20 21 Yes, it does, because local storage to the  
10:01:23 22 computer has nothing to do with local storage in the real  
10:01:26 23 world. It is done for different reasons. It has different  
10:01:28 24 technical constraints and it succeeds for different reasons.

10:01:32 25 So now, the last part is alleged preemption.



10:01:37 1 So their assumption that we preempt all Web  
10:01:43 2 pages is simply an assertion, and there is no evidence to  
10:01:47 3 back it up. Even if there were evidence, that is not  
10:01:51 4 something that is decided on a judgment on the pleadings  
10:01:56 5 procedural standpoint.

10:01:57 6 It ignores several ways in which Groupon could  
10:02:00 7 provide its website over the Web without infringing the  
10:02:03 8 Filepp patents. That is on slide 38. Such as:

10:02:06 9 Presenting all applications on one page.

10:02:09 10 Storing everything at the host.

10:02:11 11 Not configuring objects or structuring  
10:02:14 12 advertisements for potential use with multiple applications.

10:02:17 13 Not using parameters that control storage of  
10:02:21 14 content.

10:02:21 15 Not using command functions, et cetera.

10:02:23 16 The patent is explicit that there are some prior  
10:02:28 17 art ways of doing interactive computer applications, but  
10:02:31 18 that it is not claiming them. It is improving them. That  
10:02:34 19 is at the bottom of slide 38.

10:02:36 20 This isn't all theoretical either. We pointed  
10:02:42 21 out specific examples and Groupon kind of dismisses them out  
10:02:45 22 of hand and says, well, that doesn't really count. Those  
10:02:48 23 aren't really examples of things that we could do that don't  
10:02:52 24 infringe.

10:02:52 25 But I think they're important to review.

10:02:57 1 First, Groupon already sends some of its Web  
10:03:01 2 pages using PDFs and it sends the entire PDF to the user in  
10:03:07 3 kind of the prior art way that we were discussing earlier.

10:03:11 4 All the content is sent at once. It is not  
10:03:14 5 broken up in any way. There is no partitions there. That  
10:03:17 6 is an example of how they could display content to a user  
10:03:21 7 if they wanted to.

10:03:22 8 We also didn't accuse Groupon's blog website.  
10:03:25 9 The reason why is because the blog doesn't have command  
10:03:29 10 functions for moving from one application to the next.

10:03:32 11 There are many other examples. For example, we  
10:03:35 12 don't accuse their mobile applications of infringing the  
10:03:39 13 '967 patent.

10:03:40 14 You know, they're kind of taking a confirmation  
10:03:43 15 biased point of view. They say, look at the entities that  
10:03:47 16 IBM has asserted against. It's asserted against all five of  
10:03:52 17 these companies so it must mean it preempts everything.

10:03:55 18 Not so. There is a detailed analysis that  
10:03:57 19 takes place before asserting against some companies and some  
10:04:00 20 companies end up infringing and some companies don't end up  
10:04:04 21 infringing.

10:04:06 22 Just saying that because there has been an  
10:04:09 23 assertion against multiple targets that there is a presumption  
10:04:13 24 concern simply doesn't make sense.

10:04:14 25 The Court in the *Priceline* action and the Court

here we believe as well should decide that on the present record, it is not clear how many of defendant's websites are at issue, whether the patents cover almost all websites in existence. In fact, there is evidence that they do not.

Whether there are other methods that exist of locally storing information and advertising for use in presenting displays to a user. And there is examples that I have given on the previous slide of other ways to do it.

So their argument that we attempt to the preempt all standard uses of the Web which rely on local storage is simply not true.

And there is examples of presenting content to the user, using local storage which we have given to the Court which do not fall under the patent, so that the patents do not raise preemption concerns.

And if the Court must decide these issues now, Groupon's motion should be denied under the *MAZ Encryption* case.

The Groupon's arguments also ignores the findings in the Groupon action that additional factual inquiry as to how inventive the patents were would be helpful as well.

Just like in the *Priceline* case, Groupon can't circumvent a factual inquiry into the innovative nature of the claimed inventions.

1                   Groupon even admits that the inventions predate  
2                   the World Wide Web. So they're citing cases of things, of  
3                   patents that came out in 2006 or 2008 that try to capture  
4                   the Web after the Web existed for ten years and they say  
5                   those cases are analogous to what we have here.

6                   Not so. The Filepp patents came before the Web  
7                   and they really were innovative at the time because what  
8                   looks obvious to defendants right now or not innovative  
9                   to defendants right now is not something which was not  
10                  innovative at the time. And the complaint, the patent, the  
11                  prosecution history and the claims all indicate that it was  
12                  innovative idea and thus it should pass Alice Step Two.

13                  Thank you.

14                  THE COURT: Thank you very much.

15                  Mr. Hadden.

16                  MR. HADDEN: Thank you, Your Honor.

17                  Let me start with something that counsel for  
18                  IBM said toward the end. They sort of admitted that this  
19                  patent is about moving local storage on to computer systems.  
20                  And he says that doing so would create or provide specific  
21                  challenges, technical challenges. And that is no doubt  
22                  true, but what they're claiming is exactly that idea, moving  
23                  local storage on to computers. And that is an abstract  
24                  idea.

25                  Now, if they had claimed their specific solution

10:07:25 1 to the technical challenges of applying the idea of local  
10:07:30 2 storage to computers, their specific solution would be  
10:07:34 3 patentable. It would be an inventive concept perhaps. But  
10:07:38 4 that is not what they are patenting. And they essentially  
10:07:40 5 admit that is not what they're patenting.

10:07:42 6 So their argument, going back to Step One which  
10:07:47 7 is, as Your Honor asked -- right? -- is their argument, if  
10:07:52 8 it touches computers, if the patent specification says it  
10:07:56 9 is a gee whiz great improvement, does that get you 101  
10:08:00 10 immunity? And that is clearly not the law, right? It is  
10:08:03 11 not the law in this District. It is clearly not the law in  
10:08:06 12 the Federal Circuit, right?

10:08:08 13 The *IV v Symantec* case, the Federal Circuit  
10:08:12 14 found that virus scanning on a network was abstract and  
10:08:18 15 invalid. It's clearly a case that is aimed at improving  
10:08:21 16 computer networks. That is what that patent is about.

10:08:27 17 *Appistry v Amazon*, distributed computing across  
10:08:31 18 processors. That is directed at improving computers. No  
10:08:35 19 doubt the specification was full of lies about what a great  
10:08:42 20 improvement it was. Invalid, that is not the test. Right?

10:08:45 21 The test after all those cases, *Enfish*, *TLI*,  
10:08:50 22 *Affinity Labs* is whether the claim is to a specific  
10:08:53 23 technical solution. That's the test. And they haven't  
10:08:57 24 pointed to it. Right? They got up here on Step Two and  
10:09:00 25 said this is inventor concept, this is inventor concept,

10:09:00 1       this is inventor concept.

10:09:04 2               Just going through the claims and saying the  
10:09:08 3       specification said this is cool, the specification said this  
10:09:11 4       is cool, that is not an inventive concept under Step Two of  
10:09:15 5       *Alice*.

10:09:16 6               The inventive concept is the specific technical  
10:09:20 7       solution that takes that abstract idea and makes it  
10:09:23 8       something concrete you can actually own. And they haven't  
10:09:28 9       pointed to what that is in these claims in their briefs and  
10:09:31 10       they didn't point to it, Your Honor, today because it's not  
10:09:35 11       there.

10:09:36 12              It clearly is not data objects having a  
10:09:38 13       prescribed data structure. That is a totality. A data  
10:09:44 14       structure has a structure. It is a structure. That is  
10:09:47 15       meaningless.

10:09:47 16              So at the end of the day, I didn't hear any  
10:09:50 17       concrete solution. And there is none because they choose to  
10:09:55 18       claim the idea itself. And the argument that somehow you  
10:10:00 19       can do that if you are in the realm of computers and your  
10:10:03 20       specification says you made great advances, that is just not  
10:10:07 21       the law.

10:10:10 22              On the preemption issue, I mean their arguments  
10:10:14 23       speak for themselves; right? And they get up here and say,  
10:10:17 24       don't worry, we can take down the World Wide Web. You can  
10:10:20 25       still download PDFs.

10:10:23 1 That is what we're left with? I think it is  
10:10:29 2 clear what this patent provides and what the claims disclose  
10:10:32 3 cannot possibly justify that range of preemption. Thank  
10:10:37 4 you, Your Honor.

10:10:39 5 THE COURT: Thank you. All right.

10:10:53 6 MR. OUSSAYEF: Just briefly, Your Honor.

10:10:53 7 Your Honor, Karim Oussayef again.

10:10:55 8 The presumption issue is a little bit of a  
10:10:57 9 moving target because every time we come up with a  
10:11:01 10 noninfringing mechanism, now they're saying, well, are you  
10:11:05 11 saying everything except for that noninfringing example?  
10:11:10 12 Obviously not. There are many other examples. Another way  
10:11:14 13 would be not selectively storing advertisements but pushing  
10:11:18 14 them down regardless.

10:11:21 15 There are many other examples as well. But  
10:11:24 16 suffice to say, there are examples of noninfringing ways  
10:11:27 17 that can be determined from the claims themselves.

10:11:29 18 But I wanted to kind of address the case of  
10:11:34 19 *Visual Memory* in a little bit more detail since the parties  
10:11:37 20 are going back and forth about it.

10:11:39 21 What we have here, is underlined here is Judge  
10:11:50 22 Andrews in the *Visual Memory* case. And what I was trying to  
10:11:54 23 explain earlier and which might have not been entirely clear  
10:11:57 24 is that although the Court rejected plaintiff's argument  
10:12:03 25 that the question is whether a claim improves the way a

1 computer works, and said that that by itself is not  
2 determinative. The Court went on to cite later on in *Enfish*  
3 the idea that the question is whether the focus of the  
4 claims is on a specific asserted improvement in computer  
5 capabilities, i.e., the self-referential keyboard or set  
6 of process that qualifies as an abstract idea for which  
7 computers are merely invoked as a tool.

8 So here what we really have is the question of  
9 are you using computers as a tool to do something that  
10 exists outside the computer realm or do you have a specific  
11 solution? And,

12 The answer here is we have a specific solution.  
13 The specific solution is not local storage. I went over  
14 in the claims specifically how local storage is not enough.  
15 The idea of breaking things up, storing parts of them at the  
16 user's reception system, parts of them at the host computer,  
17 then having applications which can be navigated, which we  
18 use those objects, and then dynamically combining them when  
19 you need them and selectively storing them at user's device.

20 Devices based on the likelihood that they be  
21 reused, those are all concepts which were frankly unaddressed  
22 and the sum total of the argument was I didn't hear anything  
23 about inventive concepts, it's just local storage. That is  
24 not true.

25 So, therefore, the patents are eligible, if not



10:13:39 1 under Step One, under Step Two.

10:13:41 2 THE COURT: Thank you. Mr. Hadden, you can have  
10:13:43 3 the last word, if you want to add anything.

10:13:45 4 MR. HADDEN: Unless Your Honor has questions.

10:13:48 5 THE COURT: No, not at this time. We will take  
10:13:51 6 a short recess.

10:14:14 7 (Brief recess taken.)

10:14:14 8 \* \* \*

10:31:03 9 (Proceedings reconvened after recess.)

10:31:03 10 THE COURT: Have a seat. I think we're ready to  
10:31:06 11 move on to *Markman*. You may proceed.

10:31:11 12 MR. OUSSAYEF: Your Honor, my colleague, Laurie  
10:31:13 13 Stempler will begin with the *Markman* arguments.

10:31:17 14 THE COURT: Okay. That's fine.

10:31:21 15 Good morning.

10:31:23 16 MS. STEMLER: Good morning, Your Honor. Laurie  
10:31:25 17 Stempler from Desmarais on behalf of IBM. May it please the  
10:31:28 18 Court.

10:31:28 19 We passed up a binder that's organized that is  
10:31:32 20 divided by the disputed terms with a copy of the patents in  
10:31:33 21 the back for Your Honor's reference.

10:31:35 22 THE COURT: Thank you.

10:31:36 23 MS. STEMLER: So I would like to begin with Tab  
10:31:39 24 A, page 7.

10:31:40 25 This is just -- oh. Excuse me.

(Elmo settings adjusted.)

MS. STEMLER: I am not going to -- so if we turn to slide 7, I'm not going to go through a detailed overview because my colleague Mr. Oussayef had gone over that in detail during his presentation earlier except to note that something useful to keep in mind during this presentation is that in the prior art for the Filepp patents, the entire application was being sent to the reception or the user terminal. If the user wanted to assess it again, then the entire application had to be sent again.

Contrast that with the invention of the Filepp patents, '967 and the '849, and you have objects being selectively stored and retrieved locally at the reception system which allows for more flexibility and more efficiency. And as Mr. Oussayef mentioned the '967 patent is directed to a command function, an application command function that manages the display and the '849 patent is directed to also having advertising being selectively stored and presented as needed.

So I'd like to begin by discussing what we've termed the "partition" disputed terms. And the reason that we grouped them together, there are five of them, is that there are issues that are common to all of them.

The first thing that is the same is that they,

all of them had either the word "partition" or the word "portion." The parties have already agreed that those words mean the same thing.

The "partition" terms of the '967 patent are, "a first partition for presenting applications," and

"a second partition for presenting a plurality of command functions."

We have highlighted those in exemplary claim 1.

In the '849 patent, the disputed partition terms are,

"structuring applications so that they may be presented through the network at a first portion of one or more screens of display"/"structuring applications so they may be presented at a first portion of one or more screens of display." And,

"at a second portion of one or more screens of display concurrently with applications."

So something to keep in mind is that the parties have agreed that the words "partition" and "portion" should be given their plain and ordinary meaning and those terms were also given their plain and ordinary meaning in the previous *Priceline* litigation.

The reason that that is important is if we look at the first disputed partition term, "a first partition for

10:34:21 1 presenting applications."

10:34:22 2 Well, the term "partition" we've already agreed  
10:34:25 3 on, and the term "applications" we have an agreed  
10:34:30 4 construction for that as well.

10:34:30 5 That leaves the words "a first" and "for  
10:34:34 6 presenting."

10:34:34 7 There is a presumption, as Your Honor knows,  
10:34:38 8 that the claim language should be given its customary and  
10:34:41 9 ordinary meaning, and that is a very heavy presumption to  
10:34:44 10 overcome. You need to either have the patentee acting as  
10:34:47 11 a lexicographer and given a clear definition in the  
10:34:52 12 specification or there has to be something unclear.

10:34:54 13 The word "a first" and "for presenting" are not  
10:34:57 14 unclear, and that is why IBM has proposed the plain and  
10:35:00 15 ordinary meaning for this term, and it said so for the other  
10:35:04 16 "partition" terms as well.

10:35:06 17 In the alternative, should the Court decide to  
10:35:07 18 construe the term, we propose "a first area for presenting  
10:35:10 19 applications." And the reason for that is that there is a  
10:35:14 20 sentence in the specification that we'll look at in a few  
10:35:17 21 slide from here showing that partitions are areas. The  
10:35:20 22 patentees actually tell us that.

10:35:22 23 So IBM's constructions are faithful to the claim  
10:35:25 24 language. The only change that would be made, should the  
10:35:28 25 Court decide to construe the term, is "partition" to "area."

10:35:32 1 Let's take a look at the defendant's  
10:35:34 2 construction.

10:35:34 3 They have no basis in the claim language. They  
10:35:38 4 take "a first" and they changed it to "a fixed," so they're  
10:35:42 5 somehow equating "first" with "fixed."

10:35:45 6 There is no definition in the specification that  
10:35:48 7 would suggest that change. And it simply doesn't make sense.

10:35:52 8 Then they take "partition" and they change it to  
10:35:55 9 "portion" and then they add "of the screen."

10:35:59 10 So they added in additional language even though  
10:36:01 11 the parties have already agreed that "partition" and  
10:36:04 12 "portion" are the same thing.

10:36:05 13 Then they take the phrase "for presenting" and  
10:36:08 14 they turn it into, "that is dedicated for displaying."

10:36:12 15 They just made that phrase up. It doesn't  
10:36:14 16 appear anywhere in the specification.

10:36:16 17 The same issue exists with this term, "a second  
10:36:22 18 partition for presenting a plurality of command functions."

10:36:24 19 Again, the parties have agreed that "partition"  
10:36:27 20 gets its plain and ordinary meaning. And,

10:36:30 21 Then "command function," the parties have agreed  
10:36:32 22 on a construction for that as well. That means "a second,"  
10:36:37 23 and "for presenting a plurality of." These are not words  
10:36:40 24 that a jury would have a hard time understanding.

10:36:42 25 Again, IBM's construction is that it should be

10:36:46 1 given its plain and ordinary meaning or in the alternative  
10:36:49 2 to change "a second partition for presenting a plurality of  
10:36:52 3 command functions" to "a second area for presenting a  
10:36:55 4 plurality of command functions." And that again is based on  
10:36:58 5 a sentence in the specification.

10:37:00 6 If we look at Groupon's construction, they take  
10:37:05 7 "a second," and they change it to "a fixed." So now, they  
10:37:08 8 have told us that first is fixed and they also said that  
10:37:11 9 second is fixed.

10:37:13 10 We have already talked about the "partition"  
10:37:16 11 being changed to "portion" of the screen. They added "of  
10:37:20 12 the screen" there.

10:37:21 13 And the next term, "for presenting," they  
10:37:24 14 changed it again to, "that is dedicated to displaying."

10:37:27 15 And then they take "a plurality of command  
10:37:30 16 functions," they remove the phrase "a plurality of" and they  
10:37:34 17 add this whole phrase at the end, "which does not overlap  
10:37:37 18 with the fixed portion of the screen that is dedicated for  
10:37:40 19 displaying applications."

10:37:42 20 Again, that is a limitation that that sentence  
10:37:47 21 is made up. It doesn't exist anywhere in the specification.  
10:37:50 22 So they're clearly adding unstated specifications in the  
10:37:53 23 claims.

10:37:53 24 For the '849 patent, we have similar issues.  
10:38:00 25 The parties agree that "structuring applications" can be

10:38:04 1 construed as "formatting applications" but then for the rest  
10:38:07 2 of the claim, the one change that IBM has proposed, should  
10:38:11 3 the Court decide to construe the term and, again, our  
10:38:13 4 position it should be given its plain and ordinary meaning,  
10:38:16 5 but should the Court decide to construe it, would be to  
10:38:18 6 change "the first portion" to "the first area."

10:38:21 7 The defendants, they take, "may be presented"  
10:38:26 8 and they changed it to "are displayed." So there is a  
10:38:30 9 potential that is implicated in the "may be presented."  
10:38:33 10 They get rid of that and they change it to "are displayed."

10:38:36 11 Then for the phrase "through the network," they  
10:38:38 12 just delete it entirely. They do the same thing with  
10:38:43 13 "first" and "fixed" again. Now "at a first portion,"  
10:38:45 14 they're changing it to "on a fixed portion."

10:38:48 15 And then they're adding, they take out "of one  
10:38:51 16 or more" and "of display." So "of one or more screens of  
10:38:55 17 display" just becomes "of the screen." And then they add  
10:38:58 18 on, "that is dedicated to displaying applications." And  
10:39:01 19 again, that phrase doesn't appear anywhere.

10:39:04 20 And then this is the fifth term, "at a second  
10:39:08 21 portion of one or more screens of display concurrently with  
10:39:11 22 applications."

10:39:11 23 And the same issues exists here. I'm not going  
10:39:15 24 to belabor the point.

10:39:17 25 I would like to turn to slide 26 because I think

10:39:19 1 what is important to keep in mind is when you look at these  
10:39:22 2 disputed partition terms together, they're kind of three  
10:39:25 3 limitations that Groupon is trying to add in that the  
10:39:29 4 partitions have to be fixed, that they have to be dedicated  
10:39:32 5 to displaying applications, and that they have to be  
10:39:35 6 non-overlapping.

10:39:37 7 None of those words with the exception of  
10:39:39 8 "fixed," and I'll talk about that in a minute, none of  
10:39:41 9 those words appear in the claims or in the specification.

10:39:44 10 The single instance where "fixed" appears in  
10:39:47 11 conjunction with "the partition" is in a preferred  
10:39:49 12 embodiment of the command functions.

10:39:51 13 So this is a clear example of trying to add  
10:39:54 14 unstated and unsupported limitations into the claims. And  
10:39:58 15 it doesn't work. Why?

10:40:00 16 Well, for one example, with respect to whether  
10:40:02 17 partitions are fixed, the partitions from the specification  
10:40:06 18 that they're citing are merely preferred embodiments, and  
10:40:09 19 we'll look that at that in just a moment.

10:40:12 20 With respect to the partitions being dedicated  
10:40:15 21 to displaying specifications, the specification discloses  
10:40:18 22 that some partitions, like a body partition, may also  
10:40:21 23 contain a window partition. So it's not just dedicated to  
10:40:24 24 displaying applications. It's doing other things.

10:40:27 25 And then with respect to the non-overlapping



term, the specification discloses overlapping partitions.

These just have no business being in the claim language.

So turning to the first point that the partitions have to be fixed.

Again, the presumption that the claim language should be given its ordinary customary meaning is a heavy one, and the parties have already agreed that the partition has a plain and ordinary meaning, so none of the other words in the claim language require any clarification. And Groupon hasn't pointed to any definition where the patentee said, oh, when we said "partitions" we mean "fixed."

Just to explain where we got the "areas for partitions" or "areas for portion," it's taken directly out of the specification. So should the Court decide to construe the term, IBM's proposed construction is correct because the applicant -- the patentees have told us pages are divided into separate areas called partitions, so they have told us that partitions are areas.

Now, the specification explicitly tells us that partitions are not fixed. And it is helpful here to walk through the description. It tells us that applications presented at the reception system are partitioned into objects. That each application partition typically represents one screen or partial screen of information including fields

filled data. And then it says, in the second excerpt from the '967 patent, the objects are structured in accordance with an architecture that permits the displayed data to be relocatable on the screen.

So if the data that composes a partition can be located within the screen, then the partitions are not fixed.

The claims themselves also give us information about this. If we take a look at claim 17, it says: The method of claim 1 wherein generating the first and second screen partitions include generating the respective partitions at fixed, predetermined regions of the display screen.

So if partitions were already understood and meant to be fixed, then there would be no need to specify that the first and second screen partitions for claim 17 need to be generated at fixed predetermined regions.

Now, contrary to their argument, they say that the application requires that, the specification requires the applications to be bound to particular partitions.

And the language that they rely on is actually a definition of applications that appears in the specification: Application, i.e. information events, are composed of a sequence of one or more pages.

Nothing about that says that the applications have to be bound to particular partitions and, in fact, if

10:43:16 1 we look at the figures in the patent, take a look at Figure  
10:43:20 2 3a on the bottom left of slide 34, you can see the body  
10:43:23 3 partition is divided into two rectangles on the left-hand  
10:43:27 4 side. And when you look at the depiction in Figure 3b, the  
10:43:30 5 body partition is a solid rectangle taking up the middle  
10:43:34 6 of the screen.

10:43:35 7 So different pages of the application can be  
10:43:37 8 displayed using different partitions. They're not fixed.

10:43:41 9 This is the language that they're referring to  
10:43:44 10 that I mentioned earlier where it describes the partition as  
10:43:46 11 being fixed. It says in preferred form, the method features  
10:43:51 12 steps for presenting the command function in a command bar  
10:43:54 13 fixed-located on the display screen.

10:43:57 14 So the one time where the patentees do use this  
10:43:59 15 word "fixed," it is in a preferred form. It's an embodiment  
10:44:03 16 of the command functions.

10:44:06 17 They also point to page format objects as  
10:44:11 18 examples to support their position.

10:44:13 19 But those again are merely embodiments. And  
10:44:16 20 they're, as we can see in the description at Figure 5a which  
10:44:20 21 describes the foreign objects, that it's a schematic diagram  
10:44:24 22 that illustrates the configuration of the page template  
10:44:31 23 object which might be used and may be practiced, it's not  
10:44:35 24 required.

10:44:35 25 In addition, the '967 patent discloses that the

display data is relocatable, reusable, and dynamically created. So if you take a look at the specification, we're told that display text and graphics and program instructions and control data are formulated from pre-created objects. And then it says, the objects are structured in accordance with an architecture that permits the displayed data to be relocatable on the screen, and to be reusable to make up other screens and other sessions, either as pre-created and stored sessions or interactive sessions, dynamically created in response to the user's requests.

So these words "relocatable," "reusable," "dynamically created," this is how the invention works. There is absolutely nothing fixed about it.

Can we go to slide 49, please?

Another issue that is common to this dispute for the "partition" term is their contention that the partitions have to be dedicated to displaying applications.

And this is a little bit of a backdoor argument to their argument that the partitions are fixed. So for the same reasons that I just discussed, these partitions are not fixed, they're not dedicated for displaying applications.

In addition, this phrase "dedicated to displaying application," they made it up. It doesn't appear anywhere in the specification or the prosecution history. And there is no reason to deviate from the language that the

patentee chose to use to describe their invention.

In addition, Figure 3a of the '967 patent tells us that the body partition is not dedicated to displaying application, because it can display other types of data like the data that appears in the window partition.

The specification states that, "the method features steps for opening windows over the currently displayed application to present further information concerning the application or facilitate the undertaking of interactive operation with respect to the application."

So the body partition is displaying within that window partition. It is not just displaying the application.

The last limitation that they're adding, that the partitions have to be non-overlapping. That is directly contradicted again by the figure that I just showed you. The specification describes an embodiment where the window partition overlaps with the body partition. We see that in Figure 3a of the '967 patent. And, by the way, it also appears in the '849 patent.

That construction also excludes an embodiment that the inventors have told us about.

You can see that it says, "functions supporting the user-partitioned application interface can be performed using the command bar or its equivalent using pull down windows or an overlapping cascade of windows."

10:47:33 1 So just to illustrate this for Your Honor.

10:47:36 2 The first part of the sentence is talking about  
10:47:39 3 an application interface can be performed using a command  
10:47:42 4 bar as depicted in Figure 3a. And then the second part of  
10:47:46 5 that description, it's equivalent using pull down windows  
10:47:50 6 is contemplating a situation where, rather than having a  
10:47:52 7 command function here, they are pulled down from underneath  
10:47:55 8 the rest of the display. And,

10:47:57 9 Then there is also an example of an overlapping  
10:48:00 10 cascade as we can see in the '967 patent at column 17, lines  
10:48:04 11 24 through 27.

10:48:05 12 Now, for the '849 patent, there is claim  
10:48:12 13 language that says, this is where this term appears "at a  
10:48:17 14 second portion, one or more screens of the display  
10:48:20 15 concurrently with the application." And,

10:48:22 16 The claim language says that, "the advertising  
10:48:24 17 data from an advertising object may be presented at a second  
10:48:27 18 portion of one or more screens of display concurrently with  
10:48:30 19 applications."

10:48:31 20 Well, we know, as we just saw in the previous  
10:48:34 21 slide, that the windows can overlap, the window partitions  
10:48:37 22 can overlap. And we also know that the advertisements can  
10:48:40 23 be included in the window partition.

10:48:42 24 It says in the bottom left-hand excerpt,  
10:48:44 25 advertising is provided over the network and may be included

10:48:47 1 in any partition of a page.

10:48:49 2 That excerpt also appears in the '849 patent at  
10:48:53 3 column 9, lines 65 through column 10, line 1.

10:48:57 4 So what the claim is telling us, that the  
10:49:00 5 advertising data may be presented at a second portion of one  
10:49:03 6 or more screens of display. There is nothing that requires  
10:49:06 7 it to be nonoverlapping.

10:49:09 8 I want to address briefly what they have to say  
10:49:13 9 about the tessellated or tiled display.

10:49:17 10 The first thing I want to note, they say, well,  
10:49:20 11 the specification tells us page format objects assure  
10:49:23 12 tessellation on tiling.

10:49:24 13 Firstly, the page format objects are again a  
10:49:26 14 preferred embodiment; and we can see that in the excerpt  
10:49:28 15 from the '967 patent at column 11, lines 17 through 24.

10:49:33 16 In addition, they're talking about an analogy.  
10:49:37 17 They say, okay, they use the word "tiling" and if you think  
10:49:40 18 about tiling, we think of the word "mosaic" and that means  
10:49:44 19 not overlapping.

10:49:45 20 First of all, I don't know if that is true.

10:49:47 21 Secondly, we don't know what they meant by  
10:49:50 22 tiling. And there are types of tiles that do overlap. They  
10:49:50 23 could have been referring to, for example, when you think  
10:49:53 24 about roof tiles, those overlap. But if we have to get to  
10:49:55 25 the point of debating the meaning of tiling in a preferred

embodiment, then we're very far afield from what the patentees told us using the plain language of the claims.

Can we go to page 67, please.

So in summary, they're making changes to the plain language of the claim terms that are arbitrary, they're not supported. None of their terms are found in the patent or the claims. There are no definitions, and with the exception of that one word "fixed" from the preferred embodiment, and there is no absence of clarity that would require this.

They added requirements that are derived from non-limiting embodiments. We saw that with the preferred embodiment of the command functions in a fixed partition. It's just a preferred embodiment. It doesn't mean that you add it in as a claim limitation.

And then they ignore key language from the claim terms like when they substitute "dedicated" to "displaying applications for presenting."

So these limitations don't have any basis in the claim terms. The patentees told us what the words mean in the claims themselves. And in light of the fact that the parties have already agreed what "partitions" mean, what "portions" mean, what "applications" mean and what "command functions" mean, when you take all of that out and you are left with the remaining words, those are not words that



10:51:20 1       require further construction.

10:51:21 2               Thank you.

10:51:23 3               THE COURT: Thank you. We'll hear from defendant.

10:51:32 4               MR. HADDEN: Thank you, Your Honor.

10:51:43 5               So I'm going to break these up a little bit, the  
10:51:46 6       partition by partition, but try not to make it too slow.

10:51:49 7               THE COURT: All right. But you do or do not  
10:51:51 8       agree that the five terms present the same disputes?

10:51:55 9               MR. HADDEN: I think they largely present  
10:51:58 10       similar disputes. There is a little difference in the  
10:52:02 11       arguments but I think the notion is basically the same.

10:52:05 12              And it starts with the ordinary meaning of  
10:52:08 13       "partition;" right? When you partition something, you  
10:52:11 14       divide it into separate regions; right? Either by walls  
10:52:16 15       or by borders or, in this case, by page format objects.

10:52:20 16              And the specification essentially defines  
10:52:25 17       partition in this patent, right? Pages are divided into  
10:52:28 18       separate areas called "partitions;" right?

10:52:32 19              It goes on to explain that partitions are  
10:52:34 20       different than windows. It says "while certain other  
10:52:37 21       objects describe windows." So windows in the patent are not  
10:52:41 22       partitions. Partitions are separate regions.

10:52:45 23              And that is what is shown in Figure 3a. And  
10:52:48 24       the important thing in Figure 3a throughout the patent's  
10:52:52 25       description of partitions in these page format objects that

10:52:56 1 define them is that the partitions divide up the screen  
10:53:02 2 display apart from whatever content is being displayed;  
10:53:07 3 right? So this is like the backdrop and it divides up how  
10:53:11 4 this screen is set up. It is not a feature of a particular  
10:53:15 5 application; right?

10:53:16 6 So you can plop your application into your  
10:53:19 7 body partition but the region that is defined for that  
10:53:23 8 application to be displayed is predefined by these  
10:53:27 9 partitions. And that is what the patent explains. And it  
10:53:32 10 does it, as I said, using these page format objects. And,

10:53:35 11 The patent is very clear that it does this to  
10:53:38 12 ensure this uniform look and feel so that when you switch  
10:53:42 13 between applications, using that command bar partition at  
10:53:46 14 the bottom, the rest of the page looks the same. And,

10:53:52 15 The patent explains that these page format  
10:53:55 16 objects define fixed regions; right? They have an origin  
10:54:00 17 and a dimension, and they even specify the background color  
10:54:05 18 of which the information may be presented.

10:54:07 19 So all of this is defining the structure of the  
10:54:11 20 screen display apart from the application and apart from the  
10:54:15 21 content. Partitions are not features of the application. And,

10:54:21 22 The patent explains, one of the reasons it does  
10:54:24 23 this is so that the screen display is properly tested. That  
10:54:30 24 is the partitions are not overlapping and the whole screen  
10:54:35 25 is full.

10:54:35 1 If you look at the claim language, I think it  
10:54:39 2 is important and it clarifies this; right? It talks about  
10:54:41 3 generating at least a first partition for presenting  
10:54:45 4 applications.

10:54:47 5 So you generate the partition. The partition  
10:54:51 6 is there for you then to display applications within. The  
10:54:54 7 partition is separate from the application. It is not  
10:54:58 8 defined by the application. And,

10:55:02 9 IBM seems to agree that in the patent, the  
10:55:05 10 partition for displaying applications is in body partition  
10:55:10 11 which is shown as 260. And in Figure 3b, there is an  
10:55:14 12 example of the Apple application being presented within  
10:55:18 13 the application partition, body partition 260.

10:55:23 14 Now, IBM disputes or their argument is that  
10:55:29 15 because there are two different portions of the display does  
10:55:34 16 not mean they have to be "fixed" or "separate." But the  
10:55:40 17 definition of "partition" requires separate regions. That  
10:55:42 18 is what a partition is. That is how it's defined in the  
10:55:46 19 patent. And,

10:55:47 20 In fact, IBM said they are taking their  
10:55:49 21 construction and that definition which says pages are  
10:55:53 22 divided into separate areas. If they're separate areas,  
10:55:57 23 partitioned, they're nonoverlapping.

10:56:00 24 Now, their argument that the partitions don't  
10:56:04 25 have to be fixed, and we heard that again just now, is all

taking descriptions from the patent of these page element objects and how they can be relocated and dynamically created, et cetera.

That has nothing to do with the partitions; right? The patent is very clear. Page element objects specify the content of the application. They hold the text and the graphics that define the application data that is going to be displayed. And the way they get shown on the screen is they get mapped to a partition.

So they are relocatable because they can be assigned to different partitions, but the partitions themselves are fixed. You have the fixed partitions. You can plop your page element object into whichever partition you want by assigning it that partition's number. And,

That is what the patent says: The partition number is used in page element call segments so that an association is established between a called page element object and the page partition where it is to be displayed.

So you can put your page element object in different partitions by assigning them to different partition numbers.

THE COURT: But you do agree, though, that the page element objects are relocatable.

MR. HADDEN: Oh, absolutely. Yes, yes.

THE COURT: Not fixed.

MR. HADDEN: No, not fixed. And they can be used in different applications and on different pages but they have nothing to do with the partitions. The partitions are defined by the page format objects and they are fixed. And the patent explains that. Page format objects 502 describes the location and size of partitions on the page and numbers assigned to each partition.

So you have the partition has a number, you associate it with some content by giving that page element object to that partition number.

IBM has this argument that somehow partitions are not fixed and can be overlapping because you can open windows. But,

Again, both the claims and the specification explicitly distinguish windows from partitions. Sometimes they call the windows window partitions. But if you look at claim 14, which is a dependent claim that goes to this idea about opening a window, it describes the application partition, and then says you can overlay it with window partitions which it also calls windows.

And, again, as we saw, the specification distinguishes them. The description of 3a talks about partitions, 250, 260, 280, and 290, and window 275. And,

Most clearly in that definition that IBM is drawing its construction from of "partitions," the patent

explicitly defines partitions and it separately describes windows and in fact says the windows are made of different objects than the partitions. The partitions -- windows are not partitions.

So IBM argues that the partitions are not dedicated. So the claim says, "partition for displaying applications" which means that is the partition where applications are displayed. If you want to say you can display anything in that partition because you can put a window on it, but that doesn't change the underlying partition. The partition is still fixed. It has the same content. That you can open a window over it does not change as the patent explains the base page which is the partition.

In fact, the patent goes on and explains that when you open up a window over a partition, the underlying bit map to the partition itself is preserved and is exposed again once you close the window. The partition persists but there is nothing about opening the window that modifies or changes the partition. And,

Again, I think even the part that IBM put up, when you open the window over the application, you are still getting information about the application or a way to interact with the application. So even if you want to treat the window as somehow modifying the partition, which it doesn't, everything in that partition is still dedicated to

the application.

This is from IBM's brief. And at this part they say, well, even though the claim says that the partition is for displaying application, it could display other content. So basically application partition can display anything, according to IBM.

But if you get there, right? If a partition is not separate, and it is not fixed, and it can display anything, what is it? Right? How is that a limitation at all?

In fact, you can see from IBM's contentions that it's nothing. It's just a box they make up; right?

So this is what IBM says is the first partition for presenting applications. They just drew a red box around somebody's screen display of the Groupon home page. And the problem -- well, there are a lot of problems with this.

The first is if you see where it is cut off at the bottom, that is just arbitrary. That is just how much of the Groupon home page happened to be displayed on that person's browser which is not something that Groupon even specifies. That is just a function of your browser settings and how long, how large your window it is.

So IBM says, well, the partition is defined by this body tag. So it starts with the top body tag and ends

11:02:19 1 with the body, bottom body tag, and that is the HTML, the  
11:02:24 2 limiter of the first partition.

11:02:26 3 But if that were true -- right? -- those tags do  
11:02:31 4 limit the entire Groupon home page. So what is between  
11:02:37 5 those tags are all of these screens. So if the user was  
11:02:41 6 going to look at the Groupon home page to limit it by those  
11:02:46 7 body tags, they would have to go scroll through all of those  
11:02:49 8 screens.

11:02:49 9 THE COURT: What you have just shown us would  
11:02:51 10 have appeared in succeeding --

11:02:54 11 MR. HADDEN: Succeeding screens, right.

11:02:56 12 THE COURT: So it's going, which I scroll --

11:02:58 13 MR. HADDEN: I scroll down if I have the browser  
11:03:00 14 set up like this, right? So we get all the way down here.

11:03:03 15 So the question is how is that collection of  
11:03:05 16 screens a partition of a screen display, right? Where  
11:03:11 17 is the division on the screen that is somehow fixed or  
11:03:14 18 separate? It's not. It is just a Web page that you can  
11:03:17 19 display over multiple screens.

11:03:19 20 You get down to the bottom and right, that is  
11:03:22 21 the end tag.

11:03:23 22 So this is just, there is no partition here,  
11:03:27 23 there is a Web page, and they drew a box on what has to be  
11:03:33 24 shown on a one person screen.

11:03:35 25 We go to the second partition, we have the same



1 kind of problem. Just to be clear, you have to have a first  
2 partition and a second partition, and fortunately the  
3 command partition has to persist and be independent of the  
4 application because you have to be able to move between  
5 applications using the commands in that partition. And,

6 Again, that is shown in 3b how at this command bar  
7 partition. And it is described in some of the invention.  
8 And it says it can be fixed, replicated on the display screen,  
9 e.g., at the screen bar.

10 So their argument on this again goes to this popup  
11 window. And they try to say, no, the command partition is not  
12 this bar. It could be this popup window. But, again, that  
13 is not what the patent says, right? So the patent describes  
14 one mechanism for moving between applications where you can  
15 select the command like the jump command from the command bar  
16 partition, and that will open a window, and then you can put  
17 in a keyword or select an index to pick a new application  
18 from that window. But that window is not a partition; right?  
19 So this is the dependent claim that describes that very  
20 embodiment.

21 We provide the navigation procedure to new  
22 applications which include presenting a window.

23 So the window is distinct from the command  
24 partition, the patent specification and the claim. So that  
25 window did not change the meaning of "partition." And,

Again, if we look at what IBM is pointing to, it gets even more absurd. So here, again, they say the first partition is whatever is shown on your screen. And,

Then they say for claim 1, the second partition is this box at the top which has some link in a certain box.

Then for dependent claim 3, they say no, the command partition is this box over here or maybe it is both boxes; right?

But all of that is within what they said is the first partition. So there is no separation here. You have what they claim is the application partition which is your whole screen and then they're just drawing boxes within it.

So why are they picking these boxes? Well, presumably because they have a link. So presumably IBM's argument is if you have a link, that is a command, so we'll drop boxes around where you have links and say that is the command partition.

The problem with that, of course, is that everything on this page is a link; right? All of these images are links. I click on the lion, I get details on the zoo trip or whatever it is, right? Everything is a link. So are those commands? How do you know, how do I know whether those are part of my command partition? And,

If you go down the page, of course, there is hundreds of these. And when we get down to the bottom,

11:06:27 1 right? So maybe IBM will say, well, picture links are  
11:06:32 2 different. Those aren't commands. Fine. I got this.

11:06:35 3 "View All Deals," is that a command? Is that  
11:06:38 4 part of the command partition? How am I possibly going to  
11:06:41 5 know?

11:06:42 6 All right. Then you have this whole collection of  
11:06:44 7 browse by city links. You can click on any city. Is that  
11:06:47 8 part of a command application or part of the application? How  
11:06:50 9 would I know?

11:06:51 10 Same here. Favorite group coupons, company  
11:06:55 11 information, all of these are just collections of links;  
11:06:58 12 Right? You can draw a box around anything on this page you  
11:07:01 13 want and tell me it's a command bar partition or an  
11:07:05 14 application. I have no way to know it.

11:07:07 15 So then we go to the '849. A similar issue;  
11:07:10 16 right? We have to have a partition for advertising and a  
11:07:15 17 partition for applications. And,

11:07:17 18 Again, it's clear from the claims that these  
11:07:20 19 things have to be separate. You have structure applications  
11:07:22 20 so they're on one portion. You structure advertising on  
11:07:25 21 another portion. It's got to be separate so you can see it  
11:07:28 22 concurrently with the application.

11:07:30 23 Again, the patent is very clear about this ad  
11:07:34 24 partition region. And not only was it clear in the patent,  
11:07:43 25 this is exactly what they told the Patent Office; right?

Application could be presented at a first part of the screen and advertising presented separately and concurrently at a second part of the screen.

They told the Patent Office that this distinction between advertising and applications was key to their invention. That is basic dichotomy of separate treatment. Display of advertising was the key to the '849 patent.

Now we go to the contentions again.

Again, they circled whatever is on the user screen as the first partition. And then they circle some boxes within it and say that those are -- oops, sorry -- those are the ad partitions, or the ad partition. So they circle random boxes within the application and say that is an advertising partition.

I mean this is particularly bizarre for Groupon; right? Groupon's business is to offer local deals. So if their Web page is an application, those deals have to be the application. But now they're saying those deals are also the advertising.

So how do I know where my advertising partition is? How do I know where my application partition is? How do I know the difference between an advertisement and an application? And,

Then I got the whole command problem where

11:09:11 1 they're just circling links where everything on my page is a  
11:09:15 2 link.

11:09:15 3 Now, IBM says that -- and this is kind of gives  
11:09:24 4 up the farm, I think; right? They say even if the invention  
11:09:29 5 enables the display application portion and advertising  
11:09:32 6 portion, that does not mean it requires it.

11:09:33 7 Well, if the claim doesn't require an  
11:09:37 8 advertising partition or portion and application portion,  
11:09:41 9 what does the claim require; right? There is no limitation  
11:09:44 10 at that point at all.

11:09:46 11 You've got structure applications to be  
11:09:50 12 displayed at one portion, advertising another. They have to  
11:09:54 13 be treated different. And,

11:09:58 14 IBM goes on and says, trying to back away from  
11:10:01 15 what it told the Patent Office, that there is no reason that  
11:10:04 16 a dichotomy means that they must be fixed or non-overlapping.

11:10:09 17 That, Your Honor is just absurd. The definition  
11:10:14 18 of a dichotomy is two mutually exclusive or contradictory  
11:10:19 19 things. You can't tell me that the Patent Office that the  
11:10:21 20 key to my invention is the dichotomy between advertising and  
11:10:24 21 applications and then come in here and say they can be the  
11:10:28 22 same, which is what IBM is doing.

11:10:31 23 Finally, with respect to their argument that  
11:10:37 24 advertising and applications don't have to be separate, they  
11:10:44 25 say that you can display advertising over applications in

11:10:49 1 windows. They apparently cite something in the patent.

11:10:53 2 But if you look at what the patent says, it  
11:10:55 3 doesn't say that at all. The section they cite says: If  
11:10:59 4 further partitions for concurrently displaying, for example,  
11:11:02 5 an additional application which may include advertising.

11:11:06 6 It says you can have an advertising partition.

11:11:09 7 When it talks about windows, the windows display  
11:11:11 8 information related to the application.

11:11:13 9 So that is not what the patent says. And, of  
11:11:17 10 course, that is what the patent actually shows, a separate  
11:11:20 11 ad partition.

11:11:20 12 So at the end of the day, if partitions are not  
11:11:26 13 fix, nonoverlapping and dedicated, they are phantoms. They  
11:11:31 14 are not limitations and IBM can just draw boxes anywhere it  
11:11:36 15 wants. And that can't go to the jury.

11:11:38 16 Thank you, Your Honor.

11:11:40 17 THE COURT: Thank you.

11:11:40 18 Is there any response?

11:11:42 19 MS. STEPLER: Yes, Your Honor.

11:11:49 20 Your Honor, I just want to point out I'm not  
11:11:59 21 quite sure why Groupon is arguing about our infringement  
11:12:02 22 contentions. They're entirely irrelevant to the claim  
11:12:05 23 construction process.

11:12:07 24 So I don't know why they are going on about it.  
11:12:10 25 They might not agree with our infringement read, but that is

11:12:12 1 certainly an issue that kind of should be taken up later.

11:12:15 2 The second issue that I want to point out is  
11:12:17 3 that the selection of the partition on their website was,  
11:12:22 4 for example, their entire website here.

11:12:24 5 You can't see all of this in the excerpts that  
11:12:27 6 is up here, but it was their entire website, and it is based  
11:12:30 7 on their own HTML code. You can see on the right we have  
11:12:34 8 excerpted the code. We had to put an ellipses in because it  
11:12:37 9 was a big portion of it, but it is tied directly to the code  
11:12:40 10 so it wasn't arbitrary.

11:12:42 11 THE COURT: So when you drew the red line at the  
11:12:44 12 bottom of what we can see, that was not really where you  
11:12:46 13 were drawing the line. You intended for it to be at the  
11:12:49 14 very bottom of what you scrolled through.

11:12:52 15 MS. STEPLER: Yes. I suppose we could have  
11:12:55 16 zoomed out in a great amount and had everything be very  
11:12:56 17 small. But when we identified, for example, the command  
11:12:59 18 partitions, we drew a box around those. And so in this  
11:13:03 19 instance, it's just that it was a lot according to their  
11:13:07 20 code so that is why it looks the way it does.

11:13:10 21 THE COURT: On the dispute about whether there  
11:13:12 22 are certain aspects of the screen need to be dedicated or  
11:13:15 23 required or intended to do certain things, doesn't your  
11:13:21 24 infringement read at least become elucidating, if not  
11:13:25 25 relevant?

11:13:27 1 MS. STEPLER: Well, I think if we look back at  
11:13:29 2 what the patent is telling us, and there is even an excerpt  
11:13:32 3 from the patent that talks about what happens when you do  
11:13:38 4 have a partition explaining application when a popup window  
11:13:41 5 comes up, and that is really what should be controlling here.

11:13:57 6 This is the '849 patent, and in column 11,  
11:14:01 7 beginning on line 58. And as we look, it tells us that window  
11:14:09 8 objects include the display and control data necessary to  
11:14:12 9 support window partitions. Windows contain display data which  
11:14:17 10 overlay the base page and control data which supersede the  
11:14:20 11 base page control data for the underlying screen during the  
11:14:24 12 duration of the window. It says display data within windows  
11:14:29 13 overlay the base page until the window is closed.

11:14:32 14 And then when you look to the top of column 12,  
11:14:41 15 it says when the window is closed, the saved bit map is  
11:14:46 16 swapped onto the screen, the logic functions associated with  
11:14:49 17 the window are disabled, and prior logic functions are  
11:14:53 18 reactivated.

11:14:54 19 So the patent is telling us that these  
11:14:58 20 partitions are not dedicated to displaying applications and  
11:15:01 21 we have to go with what the patent is telling us. We can  
11:15:04 22 have the fight later on about whether or not there is  
11:15:08 23 infringement there, but that is just not the right thing to  
11:15:11 24 be thinking about now.

11:15:12 25 THE COURT: Do you agree that windows are not



partitions in this patent?

MS. STEMLER: No, Your Honor. In fact, one of the images that opposing counsel put up from the claim 14, it talks about window partitions. I mean I don't know how much more clear I can get. It's referring to windows as window partitions, and again the description of Figure 3a, if we go to slide 52, it is labeled as a window partition.

And the other thing that I would point out is a lot of their argument is, basically, they added all of these words into the claims. They stuffed them all in there and now they're saying, oh, well, you haven't shown us that they shouldn't be there when there is no reason to add them to begin with.

Unless Your Honor has any further questions?

THE COURT: No, thank you.

Mr. Hadden, is there anything you want to add on this?

MR. HADDEN: The only point, Your Honor, is to go back to this slide where the patent actually defines partitions and then says windows are different. So despite the labeling of window partitions, the definition of "partition" in the patent does not include windows. And there is no claim in which the application partition or the first partition or the second partition is described as a window but every time there is a window in the claim it is

called either a window or window partition. So both the spec and the claims clearly distinguish windows from partitions.

THE COURT: Okay. Thank you.

What is next?

MR. OUSSAYEF: Your Honor, Karim Oussayef again. We'll move on to the dispute concerning the term "objects."

THE COURT: Okay.

MR. OUSSAYEF: Your Honor, I'll keep this argument brief since we addressed this during the *Priceline* case.

I think the key thing to recognize here is that both parties agree that "objects" are "data structures." And the question is are they more specific to data structures?

Based on a definition in the '967 patent which also appears in the '849 patent at column 5, lines 49 through 58, objects have a uniform, self-describing format known to their RS 400. I think that is a key idea that the patent was seizing on because the reception system needs to make sure that objects are uniform.

That doesn't mean that they are all the same exact type of object, but they need to be one of a variety of enumerated type of object, and the reception system must know how to process them. That is how you are able to offload a processing from the host to the reception system.

IBM relied on the fact that objects were capable

of being processed by the PC in the prosecution history.

That is how you offset processing from the host to the reception system.

That's on slide 73. And,

IBM also defined, distinguished the Filepp inventions based on the fact that there is a prescribed, i.e., uniform, structure. So there is an enumerated set of objects. Today they might be JSON objects or JPEG objects or GIF objects but they have a uniform format which is specific to that type of object.

Now, I think what is important to go back to is the Court's reasoning for declining to adopt a more lengthy definition of "objects" was based on the fact that claim 1 of the '967 patent has some of that language built in and therefore it is implicit in the term.

I think applying an explicit definition for "objects" would remove any ambiguity, and it would make sure that the word "object" remains consistent from the '967 patent to the '849 patent and the other uses of the term objects elsewhere. So that would be a benefit to adopting that additional language.

Thank you, Your Honor.

THE COURT: Is there anything that has changed? Is there anything different here than what we dealt with previously?

11:19:50 1 MR. OUSSAYEF: I think the key point that is a  
11:19:55 2 little bit different is that some of the reasoning behind  
11:19:59 3 the Court's decision was to make sure that there is no  
11:20:05 4 duplicative language in the '967 patent. I think that might  
11:20:11 5 be overridden by the principle that the term should mean the  
11:20:14 6 same thing no matter where it appears. And because of that,  
11:20:17 7 it makes sense to have "objects" be an explicit definition  
11:20:21 8 that applies to the '849 patent as well rather than the  
11:20:27 9 concern that it might be duplicative which really doesn't  
11:20:31 10 create that much confusion because if it's in there already,  
11:20:36 11 it doesn't add anything that is more difficult to interpret.

11:20:39 12 THE COURT: Well, I think that was only one of  
11:20:42 13 the reasons we gave. I mean wasn't there also an issue  
11:20:46 14 about prosecution history and whether you are arguing for  
11:20:49 15 disclaimer and whether you are trying to import limitations  
11:20:53 16 from the specification?

11:20:56 17 MR. OUSSAYEF: I believe Your Honor is referring  
11:20:59 18 to the prosecution history argument that IBM made in the  
11:21:04 19 previous case as well. But that prosecution history was  
11:21:08 20 supporting IBM's definition. There is nothing that's --  
11:21:12 21 that wasn't an argument that was made by defendants in the  
11:21:15 22 previous case to try to fight back against the definition  
11:21:18 23 of "objects."

11:21:19 24 THE COURT: Right. My recollection was you  
11:21:22 25 argued those things, and we were not persuaded by them;

correct?

MR. OUSSAYEF: Yes. That is right, Your Honor.

THE COURT: So I'm just a little uncertain about your characterization of the earlier analysis being all we did was say what the plaintiffs want to do would render some claim language superfluous and suggesting I think that was all that was going on with that dispute. Is that what you are suggesting?

MR. OUSSAYEF: No, Your Honor. I did not mean to suggest that. That was one of the bases of the prior opinion. So based on that understanding which I understand to be one of the influencing factors for the Court's decision, I think if you are taking that into account, it makes sense to incorporate it into the '849 patent. That is all we said. I didn't mean to imply that was the only basis for the Court's decision.

THE COURT: Okay. Thank you.

MR. OUSSAYEF: Thank you.

THE COURT: I'll hear from defendant.

MR. HADDEN: Thank you, Your Honor.

We think you got it right last time, Your Honor. That objects "should" be "data structure."

Let me make a couple of points there. There is an interesting fudge going on that I think Your Honor should be aware of which is the patents says objects have an

uniform self-defining format, right? And IBM is trying to kind of use that language to add the construction, obviously to try to buttress its 101 defense. But they're tweaking it and they have done it a couple ways in their different constructions and you heard it here today.

IBM's counsel said, well, we don't actually mean that objects have a uniform structure. We mean that there is some uniformity for different types of objects. So Object A may have a structure that is uniform to it, Object B will have a structure that is uniform to it, but we're not saying all the objects have the same structure which is what the patent says, right?

The Prodigy patent, the Prodigy system, they all have the same structure; right? They would have different data but they have a format that is all laid out in there. They're not claiming that. What they're trying to claim now is use that language but let's read data objects as having whatever structure we need it to have.

So they have changed the "a uniform" to plural, that are known, but that is just kind of meaningless; right? Once you say a data structure has a structure that is known, all that means is you have a data structure. And,

They even said, they said that basically in their brief as well; right? They say "uniform object" means that the object that has a specific structure according to a type

of object. They're not uniform across objects. They just say it's a type; right?

So this is just kind of just gutting the actual language from the spec of any meaning and trying to add it to the claim to just give a little window dressing for their 101.

And that strategy is completely clear when again you look at their contentions, when they say data objects can be about anything, HTML, Javascript, JSON files, images and data, anything; correct?

If it's known by the reception system, all it means is it works; right?

You have a data structure that your application can deal with, it's known to the reception system. But they're not saying the data is any specific solution. They just say carve things up into some structures, and it will work. We'll claim that.

THE COURT: What is the relevance of the infringement contentions? Or I suppose another way to ask it, is it fair for me to consider that?

MR. HADDEN: Absolutely fair, Your Honor. So the question is, claim scope at the end of the day; right? And we get a little vision as to what the claim scope is and what they're going to say their expert is going to say. And particularly when they're putting forward these ordinary

11:25:23 1 meaning constructions; right? Ordinary meaning is a black  
11:25:28 2 box until someone gets up and says, well, that is what  
11:25:31 3 ordinary meaning is.

11:25:32 4 To me, for example, the ordinary meaning of  
11:25:35 5 "partition" is "a separate non-overlapping region." I  
11:25:38 6 thought that is what the ordinary meaning was. But they're  
11:25:41 7 going to get up and say, no, it is this mosaic of boxes.  
11:25:45 8 Well, we need to know that beforehand, so that we can tailor  
11:25:48 9 the construction to actually clarify what is allowed and  
11:25:53 10 what is not allowable.

11:25:55 11 Thank you, Your Honor.

11:25:55 12 THE COURT: Thank you.

11:25:57 13 Is there any rebuttal?

11:25:58 14 MR. OUSSAYEF: Just briefly, Your Honor, on the  
11:26:02 15 issue of whether it makes sense to look at infringement  
11:26:05 16 contentions.

11:26:06 17 The case of *SRI International v Mitsubishi*  
11:26:13 18 *Electric Corporation of America*. That is 775 F2d 1107 from  
11:26:20 19 the Federal Circuit, 1985. It's very clear that first you  
11:26:24 20 analyze, first you construe the claims, and then you apply  
11:26:28 21 it to the accused products to determine infringement. And  
11:26:35 22 the reason why it is, really, so that there is a focus on  
11:26:38 23 the intrinsic evidence as opposed to the extrinsic evidence  
11:26:43 24 versus where the focus should be. So I just wanted to  
11:26:46 25 clarify that point.



11:26:47 1 With that, Your Honor, unless there is anything  
11:26:50 2 further.

11:26:51 3 THE COURT: Is there anything further?

11:26:52 4 MR. HADDEN: I would say, Your Honor, there is  
11:26:53 5 a ton of cases that say you can look at infringement to  
11:26:56 6 understand the nature of the dispute. And that is what  
11:26:59 7 we're doing here. Thank you.

11:27:00 8 THE COURT: You can move on to the next one.

11:27:02 9 MR. OUSSAYEF: My colleague, Michael  
11:27:06 10 Matulewicz-Crowley will take the next one.

11:27:07 11 THE COURT: Okay. Good morning.

11:27:19 12 MR. MATULEWICZ-CROWLEY: Good morning, Your Honor.  
11:27:21 13 (Elmo settings adjusted.)

11:27:25 14 MR. MATULEWICZ-CROWLEY: May it please the  
11:27:26 15 court, Michael Matulewicz-Crowley on behalf of IBM.

11:27:29 16 Your Honor, the next disputed term is  
11:27:31 17 "selectively storing advertising objects at a store  
11:27:35 18 established at the reception system."

11:27:37 19 This term is unique to the '849 patent.

11:27:46 20 IBM's proposed construction of this term  
11:27:49 21 revisits the meaning of selectively storing and its previous  
11:27:54 22 construction in the *Priceline* litigation.

11:27:56 23 The specification and the structure of the  
11:27:58 24 claims of the '849 patent show that selectively storing  
11:28:03 25 concerns storing in accordance with a predetermined storage

11:28:05 1 criterion and not prefetching and storing in anticipation of  
11:28:10 2 display concurrently with the applications.

11:28:12 3 IBM's proposed construction comes directly from  
11:28:20 4 the specification itself. As we can see on the slide 78,  
11:28:24 5 the specification defines "selectively storing" as "a means  
11:28:28 6 to selective store objects according to a predetermined  
11:28:32 7 storage criterion."

11:28:34 8 This passage, this definition from the  
11:28:36 9 specification has been directly imported into IBM's proposed  
11:28:39 10 construction.

11:28:41 11 Additionally, it is this definition of  
11:28:45 12 "selectively storing" that is crucial to the patents  
11:28:48 13 inventive ability to reduce the systems response time as  
11:28:53 14 seen in the passage on the bottom of slide 78.

11:28:55 15 Groupon's response to this clear definition in  
11:29:02 16 the specification is that advertising objects are somehow  
11:29:07 17 intrinsically different from the objects referenced in the  
11:29:10 18 specification's definition of selectively storing.

11:29:13 19 But this is not true because as can be seen on  
11:29:16 20 slide 79, objects are actually a family of six different  
11:29:21 21 types of objects, including advertising objects.

11:29:24 22 The specification goes on to explain on the  
11:29:27 23 bottom of slide 79, that advertising objects are  
11:29:31 24 substantially similar to all of the other types of objects,  
11:29:34 25 including page element objects which are in charge of

displaying non-advertising displays on a screen.

Additionally, the specification treats all objects the same, whether they display application data or whether they display advertising data.

As an example, you can see on slide 80 that the specification refers to objects when it clearly is referring to objects that display applications and advertising.

In this instance, the specification uses the word "object" to mean all objects.

And the '849 patent does not support the proposition that objects, when used in the specification, actually means all objects except for advertising objects.

The '849 patent also doesn't support the contention that selectively storing involves prefetching.

So first we can see from the structure of the claim language that claim 1 does not include a prefetching limitation. The previous construction of "selectively storing" in the *Priceline* litigation rested in part on the conclusion that the term "selectively" as used in claim 1 includes a retrieval limitation. This conclusion was based on claim 8's recitation of "selectively supplied to and retrieved at."

However, the use of "selectively" in claim 1 and claim 8 actually cuts the other way and supports IBM's proposed construction. This is because as you can see on

slide 81, the fact that claim 8 claims "selectively supplied to and retrieved at" shows that "selectively" does not inherently include a retrieval limitation. Otherwise, claim 8's recitation of "retrieved at" would be superfluous.

Further, the fact that claim 8 explicitly claims a "retrieved at" limitation shows that claim 1, which does not include any retrieval language, does not include a "retrieved at" limitation.

Further, even to the extent that the "retrieval" language in claim 8 is relevant to claim 1, neither claim 1, nor claim 8 include a prefetching limitation. This can be seen most clearly from claim 9 on the bottom of slide 81 which depends from claim 8.

Claim 9 explicitly includes a prefetching limitation as a part of the supplying limitation.

Claim 9 and its explicit claim of prefetching shows that when the patentee intended prefetching to be a claimed limitation, they knew how to do it. Therefore, the fact that claim 1 and claim 8 do not include these explicit language shows that they do not include these limitations.

The specification also supports IBM's proposition because where the specification uses the term "selectively," it does so in accordance with IBM's proposed construction.

For example, on slide 83 on the first excerpt

from the specification, the specification tells us that advertising and application objects are selectively distributed in the service network in accordance with a predetermined plan.

This use of "selectively" is directly analogous to IBM's use in the proposed construction of "selectively storing" meaning storing according to a predetermined storage criterion.

In contrast, the specification never uses the words "selectively" and "prefetching." In fact, they, the word "selectively" and "prefetching" are never used together at all.

"Prefetching" is in fact used in a preferred embodiment as part of a specific module that might be used but may not be and is not a claimed element of the patent.

"Selectively storing" should not be limited to this specific preferred embodiment, especially in light of the clear definition given earlier in the specification.

Groupon's proposed construction also morphs the single step of storing into two steps, storing and prefetching, even though the specification makes clear that storing and prefetching are separate steps.

For example, on slide 85, we see that the specification tells us that there are two ways to minimize the time required to reduce, to display a page. The first

11:34:35 1 is that objects are stored locally. And the second is that  
11:34:38 2 objects have been prefetched.

11:34:41 3 These are -- the specification is telling us  
11:34:43 4 that these are two different methods. For these reasons,  
11:34:47 5 selectively storing does not include a prefetching limitation.

11:34:52 6 THE COURT: All right. The plaintiff has just  
11:34:53 7 over four minutes left, but let me ask you, is it possible  
11:34:57 8 for me to agree and adopt your construction without saying I  
11:35:01 9 was wrong in the earlier case?

11:35:04 10 MR. MATULEWICZ-CROWLEY: We have provided  
11:35:07 11 additional reasons. I think they are applicable. You know,  
11:35:11 12 it is the same specification. We have provided additional  
11:35:15 13 reasoning and evidence in this litigation for you to adopt  
11:35:21 14 our proposed construction, but I do think it is the same  
11:35:25 15 specification.

11:35:25 16 THE COURT: Okay. Thank you.

11:35:29 17 We'll hear from defendant.

11:35:31 18 MR. HADDEN: Okay. And I think you were wrong  
11:35:37 19 in the prior case, Your Honor. I think you are right.

11:35:41 20 "Selectively storing," going back just a step,  
11:35:46 21 right?

11:35:47 22 The key to the '849 patent is this dichotomy  
11:35:50 23 the separate treatment of advertising. So what does that  
11:35:53 24 actually mean?

11:35:54 25 It means that a local system pre-fetches the

11:35:57 1 advertising, stores them locally. So when there is an empty  
11:36:02 2 ad slot to fill, it can pop one up from the local storage  
11:36:06 3 and display it. That is the whole point. So it's not  
11:36:09 4 battling against the application over the network to get  
11:36:12 5 content. It pre-fetches it and stores it locally. That is  
11:36:15 6 selective storing, right?

11:36:17 7 There is no point in selectively storing the ad  
11:36:19 8 after you have already shown it to the user. The point is  
11:36:23 9 to selectively store it beforehand, you pre-fetch them, you  
11:36:27 10 store them and then you show them when there is a need to  
11:36:30 11 show an ad without having to go back to the network. That  
11:36:32 12 is the whole point of the patent.

11:36:34 13 And that is what the abstract describes; right?  
11:36:34 14 Storing and managing advertising at the user reception  
11:36:43 15 system so that the advertising can be prefetched from the  
11:36:46 16 network and staged in anticipation of being called for  
11:36:48 17 presentation.

11:36:51 18 You pre-fetch it, that is the same as  
11:36:53 19 selectively storing it. You store it, you need an ad and  
11:36:57 20 you show it from the local store.

11:36:59 21 Thank you.

11:36:59 22 THE COURT: Thank you.

11:37:00 23 Is there any rebuttal on this term?

11:37:05 24 MR. MATULEWICZ-CROWLEY: Your Honor, I just want  
11:37:10 25 to briefly address that. Two issues.

11:37:14 1           The first is that the portion from the prosecution  
11:37:17 2 history that the defendant's counsel just referenced was  
11:37:22 3 specifically with regards to a prior art reference that did  
11:37:26 4 not include advertising at all. So the dichotomy, the  
11:37:31 5 distinction between advertising and applications that IBM was  
11:37:33 6 raising in that instance is merely making the point that the  
11:37:38 7 '849 patent concerns advertising, which is not something that  
11:37:41 8 IBM is disputing now.

11:37:44 9           Additionally, I just want to point out that  
11:37:46 10 although Groupon's counsel references that the '849 patent is  
11:37:50 11 all about prefetching advertising, what they have not been  
11:37:53 12 able to do in any of the cited portions of the specification  
11:37:56 13 is to show how any tie or connection between selectively and  
11:38:02 14 prefetching any place where the language of the claim is  
11:38:05 15 referenced in the specification.

11:38:07 16           I also, Your Honor, just want to clarify my  
11:38:11 17 previous answer. It was not as clear as possible. Adopting  
11:38:14 18 our construction in this litigation would require you to  
11:38:18 19 overturn or change your previous construction of the same  
11:38:21 20 term in the *Priceline* litigation.

11:38:22 21           THE COURT: Okay. Thank you for that.

11:38:25 22           Is there anything further on this term?

11:38:26 23           MR. HADDEN: No, Your Honor.

11:38:28 24           MR. MATULEWICZ-CROWLEY: No, Your Honor.

11:38:28 25           THE COURT: All right. IBM.



11:38:31 1 MR. OUSSAYEF: Your Honor, just a point of  
11:38:33 2 clarification. I understand the parties might update Your  
11:38:36 3 Honor about a discovery issue. Does that count as part of  
11:38:39 4 our time, just to make sure?

11:38:40 5 THE COURT: There will be under two minutes  
11:38:41 6 left. I am going to have to let you update me after the two  
11:38:44 7 minutes.

11:38:44 8 MR. OUSSAYEF: Okay. Great.

11:38:50 9 Just briefly on "continuations." I think the  
11:38:53 10 key thing is that both -- oh, yes. Let me ... (Adjusting  
11:39:06 11 Elmo settings.)

11:39:06 12 Yes, I think the key thing with the term  
11:39:09 13 "continuations" is that both parties understand that not all  
11:39:12 14 requests are continuations. So construing the term  
11:39:18 15 "continuation" as a new request that a client may send to  
11:39:21 16 the server is unclear because there are some examples where  
11:39:26 17 the client sends a new request to the server which is not a  
11:39:32 18 continuation.

11:39:33 19 And Groupon's own brief says that when the  
11:39:37 20 client leaves or interrupts the conversation by typing in  
11:39:40 21 a URL, that is at the top of slide 103, that that's not a  
11:39:44 22 continuation. So given that there is some situations where  
11:39:47 23 a request is not a continuation, the definition needs to be  
11:39:53 24 clarified in order to indicate that it is a new request in a  
11:39:56 25 continuation.

11:39:57 1 That would incorporate the entire definition  
11:39:59 2 from the glossary of terms rather than just the small  
11:40:03 3 subsection of continuation as a new request which a client  
11:40:07 4 may send to the server.

11:40:08 5 THE COURT: Okay. I'll hear from defendant.

11:40:13 6 MR. HADDEN: Shall I use all the rest of my  
11:40:16 7 time?

11:40:18 8 THE COURT: Yes. Well, he has 29 seconds left,  
11:40:21 9 so ...

11:40:21 10 MR. HADDEN: Just kidding. I just want to get  
11:40:24 11 up and shoot fish in a barrel with no response.

11:40:28 12 So it's a little more complicated than that,  
11:40:30 13 Your Honor. First, Your Honor, the construction of  
11:40:33 14 "continuation" is correct. We see it comes straight from  
11:40:36 15 the glossary of the patent.

11:40:39 16 Now, the issue that IBM's counsel raised is a  
11:40:44 17 red herring. The claim itself requires that the continuation  
11:40:48 18 is in an output that is returned to the user. All such  
11:40:54 19 continuations are -- all such links are continuations per this  
11:41:00 20 definition; right?

11:41:02 21 So stepping back; right? IBM's game with respect  
11:41:06 22 to these terms is to try to avoid the "all continuations"  
11:41:11 23 requirement so that they can point to just a few links on a  
11:41:15 24 Web page and say that infringes. You can ignore all the rest  
11:41:19 25 of the links because those are either not continuations, not

11:41:24 1 in a conversation, or not returned by a service. And those  
11:41:28 2 arguments are all clearly wrong.

11:41:31 3 So let me just go forward; right? Part of  
11:41:37 4 what they're trying to do is insert conversation into this  
11:41:42 5 construction so that they can define a conversation to be  
11:41:45 6 something that is some logically related exchange so they  
11:41:48 7 can draw a box.

11:41:50 8 But that is wrong. The claim, or the patent  
11:41:55 9 explicitly describes and defines conversation. What it says  
11:41:58 10 is, on the Web, hypertext links represent continuations and  
11:42:02 11 a client engages in a conversation whenever it follows  
11:42:05 12 hypertext links.

11:42:07 13 So what that means is any time I'm clicking on a  
11:42:11 14 link, I'm in a conversation. The conversation is continuing.  
11:42:15 15 The only way to get out of conversations as the patent  
11:42:20 16 explains is if I explicitly request a new URL. So I type a  
11:42:27 17 new URL into my browser instead of clicking on a link on a  
11:42:30 18 page. That's the only way you exit a conversation. And,

11:42:37 19 If that isn't clear enough, the other definition  
11:42:38 20 that the patent actually provides a mathematical definition of  
11:42:41 21 conversation; right? And it says, more importantly, it's a  
11:42:45 22 series of HTML pages --  $p_1$  through  $p_n$ , and if I get from  $p_2$  to  
11:42:53 23  $p_n$  where the client views them all, right?, for  $i$  because  $i$  is  
11:42:57 24 between 1 and  $n$ , HPI is obtained by  $p_i - 1$ .

11:43:00 25 So what does that mean? That means as long as

I'm looking at Web pages, and I'm getting from page to page by clicking on a link from the prior page, I am in a conversation. Okay? So as long as I'm following links, that is by definition a conversation.

It doesn't then depend on who I'm talking to on the other end. It doesn't depend on whether that link goes to the same server or different server. It doesn't depend on what the Web page is talking about or what that link relates to. It's a very formal definition. As long as I'm clicking on links, I'm in a conversation. And,

That is required because if you could click on a link and not keep this state information, then the whole system in this patent breaks. And,

Just to make clear, they put in this example in their opposition brief arguing that when you start with, I think it would be an airline site and you move to hotel sites and somehow you changed the conversation, the conversation stopped, that is all nonsense; right? That is very clear.

A client may communicate with multiple servers during the same conversation, as long as I keep clicking links in the same conversation. This is the example that they said showed that the conversations break when you go to a different server. It says just the opposite; right? It says I start on the airline site, I click a link to the hotel site, the conversation continues, the state

information keeps getting passed. The hotel side may be able to use it, it may not, but it always receives it.

Then we get to the all continuations. This is kind of the similar idea, right? So in trying to say that all continuations doesn't mean all continuations, because we can define a service to be something that generates just certain links. And, again, that is just wrong; right?

The output from the service is the Web page; right? And, again, this is required because as the patent says, for this method to work you have to embed the state information in all hyperlinks passed back and forth between the client and the server. If you have a link that doesn't have state information, it won't work because the user can click on that link and then the state is lost forever; right? And,

The abstract describes the same requirement. And, importantly; right? The patent talks about communicating the output to the client. So the output to the client is the Web page that they get back. And the claim also requires that wherein the state information is preserved, provided to all services for the duration of the conversation.

For that to work, the state information has to be in every link in their Web page because if not, the user could click on that link and, whatever that service is, would not receive that state information during that conversation. And,

11:46:11 1 Again, the patent is clear that the output that  
11:46:14 2 that claim is talking about that goes to the user is the Web  
11:46:17 3 page. They have the IBM example Web page here in the patent  
11:46:22 4 and showing that as the output. So the output is not some  
11:46:26 5 subset of links. It is the page and all the links on them.

11:46:31 6 And the figure shows the same thing. The output  
11:46:33 7 that goes back to the client is the HTML file.

11:46:37 8 So why does this matter? Well, it matters  
11:46:41 9 because again what IBM is trying to do is say, well, we  
11:46:45 10 found these two links on your page that have what we call  
11:46:48 11 state information, so you infringe. Because we're going to  
11:46:51 12 say that those are the output from some service that we'll  
11:46:54 13 identify later. And,

11:46:58 14 That is nonsense because this page has a whole  
11:47:01 15 bunch of links, and all these other links don't have the same  
11:47:05 16 information. So this is not an example of all continuations,  
11:47:09 17 including state information as the patent requires; right?  
11:47:11 18 This page doesn't work. I click on any of these, what they're  
11:47:14 19 calling state information doesn't get sent back. It is not  
11:47:17 20 embedded into any of these links. And,

11:47:20 21 These all continuations, they relied on that in  
11:47:23 22 the IPR. It's throughout the prosecution history. They can't  
11:47:27 23 avoid it now and say any two links will do, which is what  
11:47:32 24 they're trying to do.

11:47:33 25 Thank you.

11:47:34 1 THE COURT: All right. Do you want to respond  
11:47:37 2 briefly?

11:47:37 3 MR. OUSSAYEF: Yes. Very briefly, Your Honor.

11:47:39 4 What I didn't see is a discussion of their  
11:47:42 5 actual construction. And the reason why is because once  
11:47:46 6 again it rewrites the claim language.

11:47:48 7 "Continuations" is their preferred definition of  
11:47:50 8 "continuations." Okay. That is all right.

11:47:52 9 But why "in an output" means "in a Web page or  
11:47:56 10 other output?" There is simply no language which is  
11:47:59 11 construed from the specification.

11:48:01 12 "From said service" changes to "sent to the  
11:48:03 13 client." So "from" turns to "sent," reversing the order,  
11:48:08 14 and "service" turns to "client," the opposite entity that  
11:48:11 15 should be doing things.

11:48:12 16 If we look at slide 96, we see that their  
11:48:17 17 definition would require "in an output from said service" to  
11:48:22 18 require something to already be sent to the client before  
11:48:24 19 the later step in the claim which requires communicating  
11:48:29 20 something to the client.

11:48:30 21 So their definition would require communicating  
11:48:33 22 something to the client, doing something in that before  
11:48:36 23 you communicate it to the client, which doesn't make sense.

11:48:39 24 THE COURT: All right. Thank you.

11:48:41 25 Do you want to respond?

11:48:42 1 MR. HADDEN: Sure.

11:48:44 2 None of that is right, of course. The output to  
11:48:47 3 the client doesn't have to be communicated. It's generated  
11:48:50 4 before it is sent. This is in our briefs. I think this  
11:48:54 5 part is pretty clear.

11:48:56 6 The main point is "all continuations" means "all  
11:48:58 7 continuations." And there is no dispute that continuations  
11:49:01 8 are links and a conversation is any time you click a link,  
11:49:06 9 so it all fits together.

11:49:08 10 Thank you, Your Honor.

11:49:08 11 THE COURT: All right. Is there anything else  
11:49:09 12 on claim construction from Groupon then?

11:49:11 13 MR. HADDEN: No, Your Honor.

11:49:11 14 THE COURT: All right. Then let's talk just  
11:49:14 15 briefly about discovery. I'm curious as to whether there  
11:49:19 16 has been progress over the weekend, so let me hear first  
11:49:22 17 from IBM on that.

11:49:26 18 MR. OUSSAYEF: Your Honor, my colleague Robert  
11:49:29 19 Harrits will take this issue.

11:49:30 20 THE COURT: Sure.

11:49:32 21 Good morning.

11:49:35 22 MR. HARRITS: Good morning, Your Honor. Roberts  
11:49:37 23 Harrits on behalf of IBM. May it please the Court.

11:49:40 24 Following the Court's Order on Friday, the  
11:49:42 25 parties met and conferred that evening, and during the meet



11:49:46 1 and confer Groupon agreed to produce and I believe later  
11:49:48 2 that evening did produce some revenue cost and profit  
11:49:52 3 information associated with the accused products.

11:49:55 4 However, there is other financial and sales  
11:49:58 5 information that we have been requesting for some time now  
11:50:02 6 that is still not being produced, and Groupon has not  
11:50:04 7 provided us a date by which they will be producing these  
11:50:07 8 documents: things like patent licenses, financial future  
11:50:12 9 forecasts of the future revenue growth, marketing documents,  
11:50:16 10 commercial studies about the accused features, or any  
11:50:21 11 potential documents related to the value of the accused  
11:50:24 12 features. And,

11:50:26 13 Given that these discovery responses have been  
11:50:28 14 outstanding since December and Groupon has not said they're  
11:50:33 15 not going to produce these documents, we think it would be  
11:50:36 16 beneficial for the Court to order a reasonable date certain  
11:50:39 17 by which Groupon will produce these other requested documents.

11:50:43 18 THE COURT: And what about the distinction  
11:50:45 19 between North American revenue and U.S. revenue? Did you  
11:50:48 20 make progress on that?

11:50:50 21 MR. HARRITS: Yes, we have. They have  
11:50:51 22 produced a document which they say should be able to help us  
11:50:54 23 de-aggregate that data. We haven't had a chance to fully  
11:50:57 24 analyze it with our experts to know whether it will do as  
11:51:01 25 they allege it will.

11:51:01 1 THE COURT: All right. Is there anything else?

11:51:03 2 MR. HARRITS: That is it unless Your Honor has  
11:51:05 3 other questions.

11:51:05 4 THE COURT: Not yet. So let me hear what  
11:51:07 5 Groupon's position is.

11:51:12 6 Good morning.

11:51:13 7 MR. HAACK: Good morning, Your Honor.

11:51:16 8 I think what Mr. Harrits said is generally  
11:51:19 9 accurate. Groupon produced a bunch of data on Friday. To  
11:51:22 10 the extent that the information they moved on, the revenues,  
11:51:25 11 cost profits broken down in various ways is not complete, I  
11:51:29 12 believe it is, Groupon wanted us to produce that data.

11:51:31 13 On the issue of the U.S./Canada revenues, the  
11:51:36 14 issue there is that Groupon does not in the ordinary course  
11:51:39 15 of business disaggregate Canada from its North American  
11:51:42 16 business. It reports on a North American basis.

11:51:45 17 The information we provided to IBM at this point  
11:51:48 18 is I believe revenue information. It doesn't disaggregate  
11:51:53 19 cost or profits because Groupon doesn't keep that and to do  
11:51:57 20 that involves going through every single transaction at  
11:52:00 21 Groupon and deciding whether it should allocate cost or  
11:52:03 22 profits to that transaction.

11:52:04 23 The information that IBM was given is based on  
11:52:06 24 Groupon as separate Canadian entities that report revenue,  
11:52:09 25 so we disaggregated that revenue from the U.S. revenue,

provided the breakdown of North American into U.S. and Canada.

And I should say this for the record. For the purposes of North American revenue, that means U.S. and Canada, not Mexico for Groupon.

As to the patent licenses, the marketing documents, Groupon hasn't refused to produce any of this information. When I spoke to Mr. Harrits on Friday, I represented we would be happy to give that to them.

IBM didn't raise that as a thing they were moving to compel or conversations leading up to the motion to compel. It asked for revenues, cost profits, disaggregated into the ways Your Honor saw in the briefing.

I don't think there is a need for an order to produce those documents, and Groupon hasn't refused to produce anything and particularly on the marking documents, patent licenses. I'm not aware the parties have conferred on that at all. Certainly in the conversations I have been involved in in the last month or six weeks, we have not.

THE COURT: Well, what is the date on which you propose to produce the remaining materials that they've mentioned in their letter to me they want?

MR. HAACK: I don't have a date certain for right now, Your Honor. I'm sure we can get licenses out this week. I know what the volume of that is.

11:53:27 1 THE COURT: What, from your perspective, is a  
11:53:30 2 reasonable date by which you would agree to produce what  
11:53:33 3 all they asked for in the letter?

11:53:34 4 MR. HAACK: I think by the end of the month, we  
11:53:36 5 can do that, Your Honor. Before that would, I think it  
11:53:38 6 might be difficult to get all that out in that time period,  
11:53:41 7 particularly the marketing documents that certainly is under  
11:53:44 8 the scope of what that would be.

11:53:45 9 THE COURT: All right. Mr. Harrits, is the end  
11:53:47 10 of the month reasonable?

11:53:48 11 MR. HARRITS: Yes it is, Your Honor.

11:53:50 12 THE COURT: All right. Well, does that take  
11:53:51 13 care of what is in dispute on discovery?

11:53:54 14 MR. HARRITS: I believe for what is currently in  
11:53:57 15 dispute. Yes.

11:53:58 16 THE COURT: Do you agree with that?

11:53:59 17 MR. HAACK: Yes.

11:54:00 18 THE COURT: Okay. Well, then I do order that  
11:54:01 19 defendant will produce what was at issue in the letter and  
11:54:05 20 discussed here today by the end of this month.

11:54:08 21 MR. HAACK: Thank you, Your Honor.

11:54:09 22 THE COURT: All right. Is there anything  
11:54:10 23 further from IBM?

11:54:12 24 MR. TRAINOR: No, Your Honor.

11:54:12 25 MR. OUSSAYEF: No, Your Honor.

11:54:13 1 MR. TRAINOR: Thank you.

11:54:13 2 THE COURT: Is there anything further from

11:54:15 3 Groupon?

11:54:15 4 MR. HADDEN: No. Thank you, Your Honor.

11:54:16 5 THE COURT: Thank you for that helpful argument.

11:54:37 6 We will be in recess.

11:54:48 7 (Claim construction and motion hearing ends at

11:54:59 8 11:54 a.m.)

12:00:21 9

12:00:21 10 I hereby certify the foregoing is a true and accurate  
transcript from my stenographic notes in the proceeding.

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/s/ Brian P. Gaffigan  
Official Court Reporter  
U.S. District Court

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